

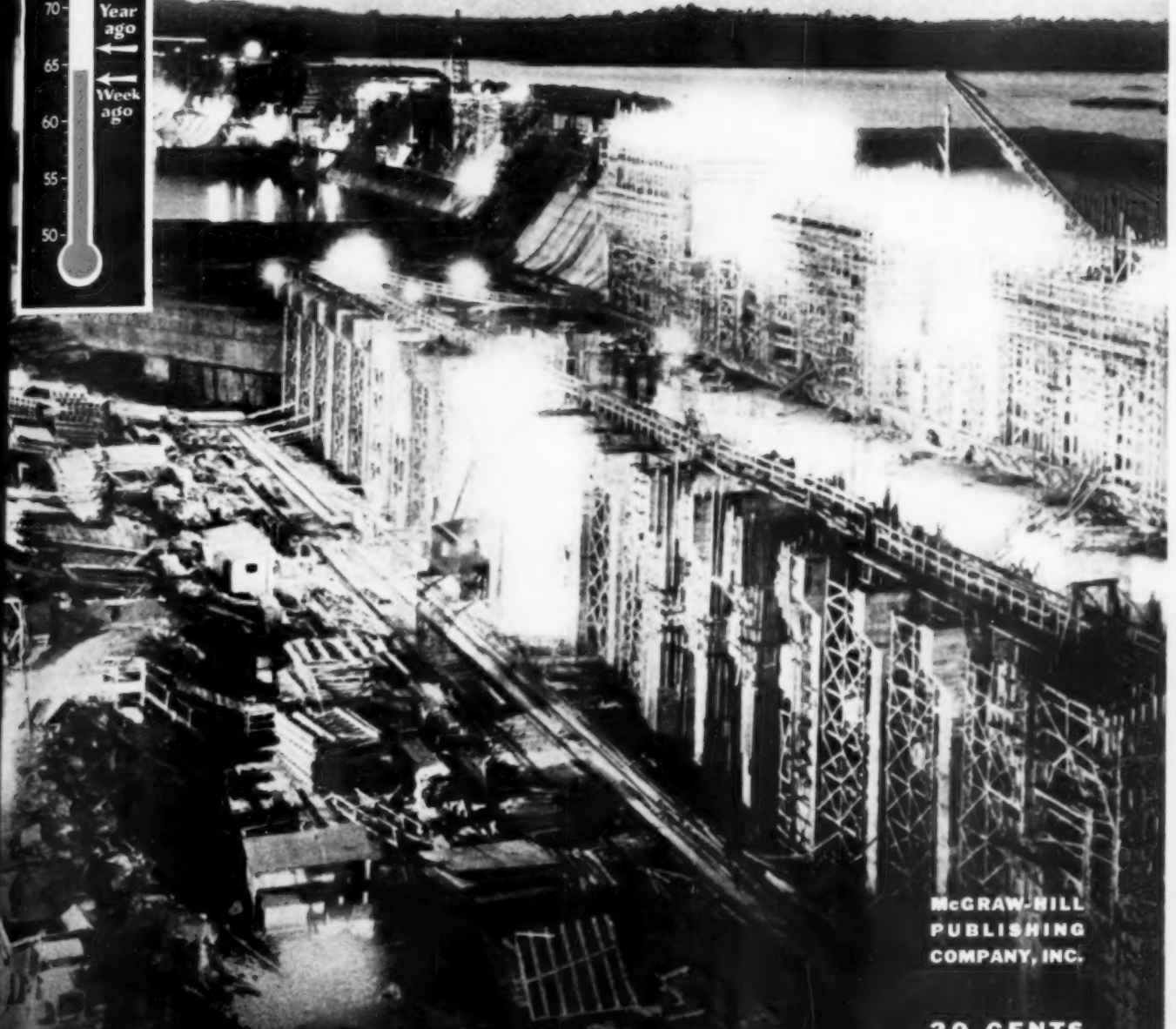
ett's  
the  
ontrol  
sters  
of be  
Ben-  
ake  
ove

sh-  
an-  
is  
ta-  
hat  
or-  
ich  
to  
ads  
m-  
ss,  
eir  
ple  
to  
lar  
  
in  
on  
hs  
est  
ew  
he  
er-  
an  
il-  
se  
ng  
ly  
  
ng  
ne  
at  
ne  
wl  
ne  
ll-  
ne  
ll  
ir  
d,  
ne  
y  
o  
e  
t

JUNE 23  
1936

JUN 25 1936

# BUSINESS WEEK

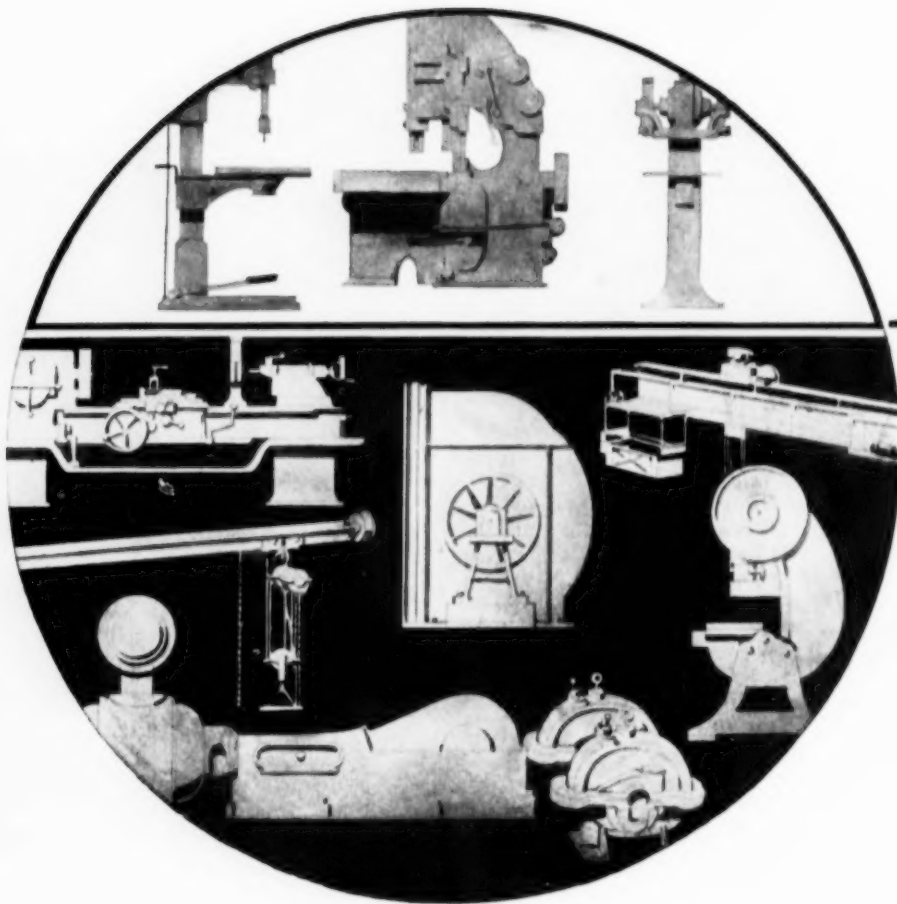


McGraw-Hill  
Publishing  
Company, Inc.

20 CENTS

**CONTRAST**—While lights blaze for the night shifts rushing TVA's Wheeler dam, public works projects on the \$4-billions work relief program are delayed amid shifting policies, whittled down by the Administration's "low-material-cost" ruling.

UNIVERSITY OF MICHIGAN  
GENERAL LIBRARY  
ANN ARBOR MICH



#### SUNK BELOW THE PROFIT LINE BY "OBsolescence TAX"

The dark portion of the circle indicates the percentage of equipment in American industry which is estimated to be more expensive to operate than to replace. The recent Machinery and Allied Products Institute Report shows \$3.7 billion dollars worth of equipment needed by industry. At an average net saving of only 10 per cent by new equipment, the cost per year of obsolete equipment is nearly 2 billion.

## Repeal this heaviest "tax" on profits

An unpleasant subject—taxes—to say the least. And we wouldn't bring it up if nothing could be done about this particular "tax"—the terrific toll exacted by obsolete equipment in industry.

Hidden behind your production costs this tax reduces profits—burdens your business both in manufacturing and in selling. For unless your plant is a rare exception, much of your equipment is

inefficient and costly to operate by today's standards.

Your own operating men have no doubt realized this, but not until now, perhaps, has the time seemed ripe to make the investment required. The signs of the times say now—DON'T WAIT! Knowing when to invest makes fortunes. Replacing obsolete machinery and equipment looks like a sound investment now.

*Westinghouse cooperates with the manufacturers of machinery and their customers in the design and application of improved electric drive for every industry.*

# Westinghouse



® 52058

BUSINESS WEEK

# Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—After a little more delay in getting work-relief spending started, President Roosevelt will back away from his present \$1,100-a-man restriction. Reason: Political repercussions. These count more than business attacks on the limitation and arguments that higher material expenditures will make jobs "behind the line."

Hiram Johnson and McAdoo have already given President a bad half-hour on California's Central Valley project. Ickes refused to take responsibility for juggling figures so as to pretend it would come within \$1,100 limit. But it's pretty certain to be approved. Grade crossings have already been taken out from under original restrictions. Other types of projects will follow.

Meanwhile, criticism multiplies that President is holding back on the \$4 billions to get maximum effect on election-eve.

## Supreme Court Defied

Despite rumors, Supreme Court spectre isn't worrying Work Relief Administration. Warnings of suits to bar expenditure of the \$4 billions because of unwarranted delegation of authority to President have had Administration lawyers burning midnight oil. Now they agree there's no Constitutional danger.

## Against Security Change

Decisive Senate vote to exempt employers with own retirement systems from tax to maintain the federal old-age insurance plan is not conclusive. President is strong against the amendment and probability is it will come out in conference.

## Whip Now Needed

Situation in Congress is rapidly developing to point where Roosevelt must be selective as to where he will apply heat. Congress has reached balky stage where it will go where President wants only under liberal use of whip.

## Labor Gains in Lost NRA

Labor is to have more voice than ever in NRA administration. Major—and labor leader—George L. Berry, politically-minded and effective despite his flops in winning vice-presidential nominations, becomes practically co-administrator.

## Steam for Bank Bill

The President will put whatever steam may be needed behind banking bill and it will pass approximately as he wants it. Suggested compromise whereby open-market operations would be directed by 8 members of

## TAXES AS PREDICTED

Washington calls the President's "share-the-wealth" tax message "a play from the New Dealer's Long suit." Huey said, "Amen." Business Week said, May 18, "Indications are a new tax measure must be considered and passed." Administration leaders in Congress were badly split on the possibility—and political consequences—of adding this to the "must list" for the session.

Reserve Board and 5 governors of regional banks may or may not be important. Governors would be named by Reserve Board which looks like airtight Administration control, despite Glass's reliance on conservative board members.

## Holding Company Hazard

Roosevelt sticks to his idea of regionally-integrated holding companies, insists even "good" holding companies extending across state lines must regroup subsidiaries to conform to this pattern. But, as expected, the House is balking at death sentence.

## REA Starts Municipal

Rural Electrification's No. 1 project—not yet announced—will be located in a larger Eastern state, will get its power from a municipal plant.

## Another Specialist

Self-styled competitor of "Chick Sales," Rural Electrification Administrator Morris L. Cooke will tell National Association of Master Plumbers in Chicago next week that inside plumbing will be REA's gift to farmer's family.

## TVA Setback Not Final

Victory of Comptroller McCarl with other limitations on TVA expansion in House are apt to prove misleading. Final returns won't be

in until Senate and House conferees report. Probability is Roosevelt and Norris will get what they want in long run.

## Ship Legislation Due

Passage of merchant marine legislation is now expected. Mail pay will be supplanted by construction subsidies and operating differentials. But Congress wants a separate marine authority, not ICC as Coordinator Eastman recommended.

## Tough Muck to Rake

Washington's conviction S.S. Leticia should have been sunk at sea after last soldier came home in her from France makes difficult Lwing Y. Mitchell's attempts to make front-page scandal of Shipping Board contracts after being fired as Assistant Secretary of Commerce. And 2 senators from one's home state anxious to scuttle a man politically are no help to his career as a muckraker.

## Food and Drug Bill Coming

Bus and truck regulation bill has been blocking food and drug measure in House Interstate Commerce Committee. Probability is both will be reported soon and that food and drug measure will then go through. In its present form there isn't much serious opposition left.

## Soap Hope Fades

Domestic soap people's hope of getting excise taxes on oils and fats knocked out of revenue bill this session are fading. They had hoped to tack repeal on bill continuing nuisance taxes but House passed this without considering amendments. Senate is expected to follow suit.

## Looking Into Oil

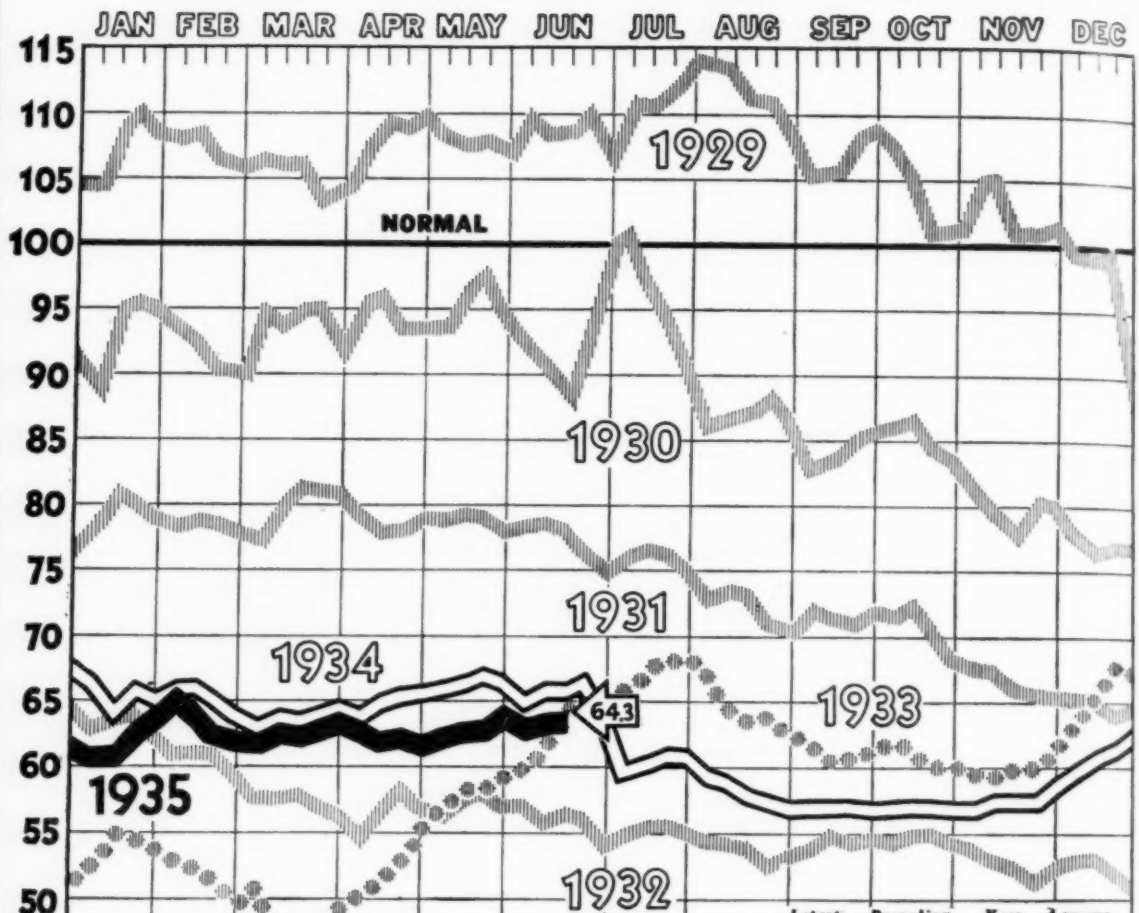
Big oil companies are worried—with some logic—over interest Department of Justice is taking in complaints from National Oil Marketers Association, particularly in latter's demand for investigation of post-code wholesale price boosts without any retail increase. With this goes hint that a secret agreement is answer. Association wants Thomas bill amended to include federal control of marketing, as well as producing and refining.

## Silver Bloc Held Back

Morgenthau continues deaf to silver bloc which bluffs and threatens but does not force President's hand. There's no change in fundamentals of Treasury plan. Morgenthau wants to buy silver as cheap as he can, boosting eventual profit. Silver bloc will probably be content if its efforts bear fruit just before election.



# WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
<b>BUSINESS WEEK INDEX</b> .....	*64.3	†64.2	66.3	71.2
<b>PRODUCTION</b>				
★ Steel Ingot Operation (% of capacity) .....	38.3	39.0	56.1	44.2
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis) ..	\$4,898	\$4,823	\$5,218	\$6,764
★ Bituminous Coal (daily average 1,000 tons) .....	*1,435	†1,280	1,015	1,012
★ Electric Power (millions K.W.H.) .....	1,743	1,724	1,665	1,603
<b>TRADE</b>				
Total Carloadings (daily average 1,000 cars) .....	105	103	103	103
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars) .....	65	64	68	77
★ Check Payments (outside N. Y. City, millions) .....	\$3,454	\$3,561	\$3,030	\$3,576
★ Money in Circulation (daily average, millions) .....	\$5,514	\$5,529	\$5,337	\$5,100
<b>PRICES Average for the Week</b>				
Wheat (No. 2, hard winter, Kansas City, bu.) .....	\$ .89	\$ .91	\$ .93	\$ .76
Cotton (middling, New York, lb.) .....	\$1.19	\$1.19	\$1.22	\$0.99
Iron and Steel (STEEL, composite, ton) .....	\$32.41	\$32.45	\$32.84	\$30.95
Copper (electrolytic, f.o.b. refinery, lb.) .....	\$0.88	\$0.88	\$0.88	\$0.82
All Commodities (Fisher's Index, 1926 = 100) .....	82.3	82.3	77.4	71.4
<b>FINANCE</b>				
Federal Reserve Credit Outstanding (daily average, millions) .....	\$2,481	\$2,476	\$2,459	\$1,773
Loans and Investments, Federal Reserve rep't'g member banks (millions) ..	\$18,500	\$18,414	\$17,370	\$16,946
★ Commercial Loans, Federal Reserve reporting member banks (millions) ..	\$4,527	\$4,503	\$4,533	\$5,007
Security Loans, Federal Reserve reporting member banks (millions) .....	\$3,040	\$2,992	\$3,556	\$3,873
Brokers' Loans, Federal Reserve reporting member banks (millions) .....	\$1,013	\$973	\$1,104	\$855
Stock Prices (average 100 stocks, Herald Tribune) .....	\$102.30	\$100.97	\$100.94	\$111.79
Bond Prices (Dow, Jones, average 40 bonds) .....	\$96.33	\$95.44	\$95.01	\$88.12
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange ..	1%	1%	1%	1.8%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City .....	1%	1%	1-1%	2.2%
Business Failures (Dun and Bradstreet, number) .....	222	238	251	445

\* Preliminary † Revised ★ Factor in Business Week Index ‡ 1932-34 average.



# The Business Outlook

REMOVAL of code regulations has cut fall buying volume, but production activity is holding surprisingly steady. General index of business activity stands a chance of moving above the 1934 level in July. Steel curtailment is moderate, support coming from hosts of small consumers. Machine tool business hit a 5-year high in May. Motor executives are already looking optimistically at next year's market.

Power production will not be downed, despite the season. Its strength comes significantly from large commercial users, not from domestic sources. Private construction, particularly of commercial structures, runs far above last year, and plumbing makers are reopening long closed plants. Warmer weather is uncovering better retail sales, though the spring volume has already been pretty badly shot. Retailers can now look forward to bulk of the \$4-billion relief appropriation with heavy industries virtually "out" because of low per capita allotment.

## Strike "Fear" No Bogy

Bituminous coal operators would consider a strike as something of a blessing now. Heavy accumulation of stocks threatens price competition as soon as present threat is removed. Last week's postponement only added to stock piles, as output soared close to 1929 levels. Guffey bill, pushed by the Administration as a solution to the coal problem, now finds industry badly split on its merits. Its constitutionality is seriously doubted by many operators.

## Shutting Out Chiselers

Cotton textile mills have been in a state of chaos since NRA was outlawed. Buyers are holding off orders, demanding price concessions. G. A. Sloan, former Cotton-Textile Code Authority chief, now sales representative of Amoskeag Manufacturing Co., has announced that forward orders at current price quotations will be refused, mill operations drastically curtailed, and plants closed altogether during the first week of July. Other mills plan to follow Amoskeag's example, thus putting on a bold front to meet the demands of "chiseling" buyers.

## Guffey Bill for Textiles

Textile unions, taking their cue from the coal industry, propose to fight for federal legislation similar to the Guffey bill as a solution to the ills of the textile industry.

## Anticipate CCC Orders

Wool manufacturers look to huge government orders of over a half million blankets, a similar quantity of mackinaw cloth yardage, and several

## UNDER CONTROL

*Greater stability than expected follows the ousting of NRA. Price pressure continues, but sellers are putting up a firm front. Detroit is optimistic; so are machine tool makers. Textile centers are most disturbed, talk now of shutdowns. Relief rolls are declining. Stock markets are reaching for 1933 peaks.*

million yards of wool shirting to take up slack following completion of fall orders for private trade. CCC cotton hosiery requirements will also run into millions of pairs.

## Steel Is Reassured

Steel feels more assured about its current situation than it has since the NRA bombshell. Price pressure has been less than was feared, though quantity discounts on some products have been granted as expected. Scattered buying from small consumers, such as stove, radio, and farm implement makers, has helped ease the usual seasonal slack. Structural steel awards were the third highest of the year. By August, government and motor orders should end steel's summer sag.

## No Machine Tool Tears

May machine tool business exceeded all expectations, bettering every month since September, 1930, and rising 12% higher than in April. Foreign business accounted for 21% of the volume. Machine builders wasted no tears over the demise of NRA. Prices of some lines were actually advanced this week by as much as 8% to 15%. Motor manufacturers are important buyers in the current market, and are expected to become increasingly important in the next month or so.

## Motors Cheer 1936

Detroit is still grinding out a good volume of cars, estimated at 300,000 for June. But preparations are already under way for 1936 models, destined to appear on or before Nov. 2. Optimism, tangibly expressed in plant expansion, abounds. Competition will be keen, but will not push producers into radical changes of design or price. Cost reductions due to greater volume and longer hours will be translated into better quality.

## Employment Drop Due

May employment and payroll records are expected to show their first seasonal recessions as clothing, textile, and canning industries reduce operations. Since November, factory employment and wages have expanded substantially. Relief roll shrinkage in recent months reflects this improvement in industrial employment. In May, cost-of-living of wage earners declined for the first time since November, as every budget item but rent showed a drop. Compared with a year ago, food is still 14.8% higher; rent is up 8.4%; clothing is 3.6% lower.

## Campaign for Current

April power consumption by large industrial users reached a new high for the year, came close to the August, 1934, peak. Likewise, average domestic consumption hit new levels, though revenues per kilowatt hit a new low. Bent on further increasing the power load of both domestic and industrial consumers, electrical manufacturers are launching a 3-year campaign to promote the increased use of everything from household lamps to heavy industrial equipment. Selected for early promotion are electric ranges, air-conditioning, house and factory rewiring.

## Aviation Soars

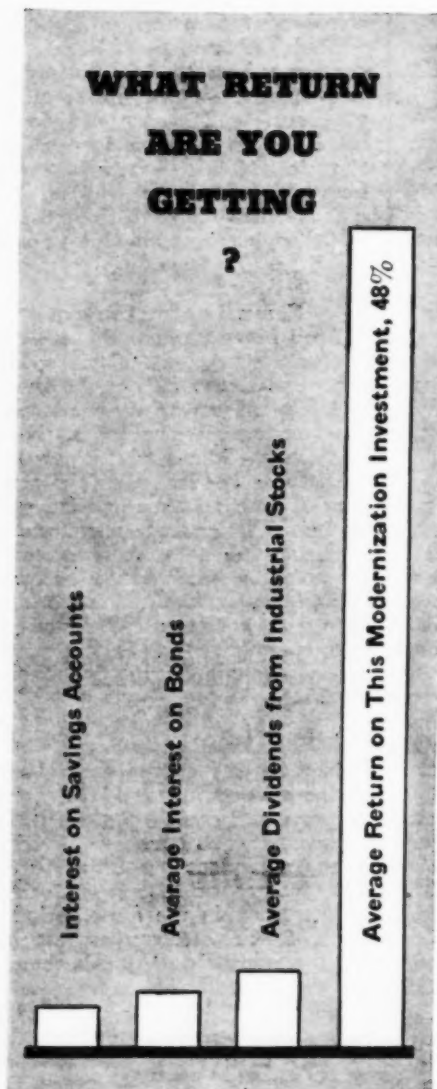
New highs for April were also set in the aviation industry—for number of passengers carried, passenger mileage, and express poundage. Value of commercial plane production for the first quarter of 1935 was 5 times greater than in the same period of 1933, 4 times greater than last year. Units produced were double those of the first 3 months of 1934.

## Insurance Irregularity

Sales of ordinary life insurance have been steadily downward since December, though the 5 months' total has a 4% margin over last year. Industrial insurance volume held irregularly above 1934 until May. Group insurance alone showed a rising trend from the February low, but 5 months' total ran 15% under 1934.

# \$4,917 Saved in First Year

## A 48-Per-Cent Annual Return on the Investment



A. Goodman & Sons, Inc., New York City, manufacturer of noodles and macaroni, seeking more economical operation, recently modernized its plant, installing 121 General Electric motors with suitable G-E control,

Mr. Robert I. Cowen, Vice President, reports a saving of \$4,917 in operating costs in the first year. This represents a 48-per-cent annual return on this modernization investment.

Does any of your apparatus, although doing the job it was designed to do years ago, now operate below modern standards of output and efficiency? Why not encourage your employees to search for opportunities to replace obsolete machinery with modern equipment which will do a better job at lower cost? Where, other than in your own plant, are you likely to find an investment which will yield such safe, substantial returns?

*It pays to seek such opportunities—the cost of searching is negligible!* Many problems can be solved to advantage electrically. A competent G-E sales engineer in the nearest General Electric office will gladly assist you in selecting the proper electric apparatus to help you reduce costs. General Electric, Schenectady, N. Y.

**GENERAL  ELECTRIC**

020-173



JUNE 22, 1935

## The New Deal Deals Taxes

**President sets up social program—and political platform—for redistribution of wealth through measures to "soak the rich" and wield club over bigness.**

THE New Deal has adopted Share-the-Wealth and added to it, Save-Little-Business, if not Kill-Big-Business. President Roosevelt's surprise tax message turned out to be a treatise on social philosophy expounding theories in this vein. There was no equivocation in the President's language vigorously urging a wider distribution of wealth, via taxation.

He would start the ball rolling at once with new legislation which would—

(1) Superimpose inheritance taxes upon present estate levies to prevent "perpetuation of great and undesirable concentration of control in a few individuals over the employment and welfare of many, many others."

(2) Increase taxes levied upon very great personal net incomes by extending the graduation of surtaxes which now stop at \$1 million.

(3) Introduce, for the first time, graduated corporation income taxes that would cut the present rate of 13½% down to 10½% for small concerns, step it up to a 16½% maximum for big ones.

This much he hopes to get through the present term of Congress. Congressional leaders were divided on his chances. They fear trying to add his new program to the pending measure to extend the nuisance taxes lest these be held up beyond their June 30 deadline. But Capitol Hill expects to hear the whip crack.

### Future Tax Objectives

There is more for the future in the President's program, including:

(1) Taxing holding corporations to death by levies on dividends received from subsidiaries.

(2) Taxing corporation surpluses to force their distribution.

(3) Eliminating tax exemption on income from federal, state, and local government securities.

The message was studded with political ammunition in the way of catchphrases about vast accumulations of wealth, concentration of economic power. Political adversaries credit the President with a master-stroke killing several birds. He has stolen the thunder from a third-party movement, retaliated against New Deal critics in big business, partially plugged the guns of "balanced

budget" advocates, pleased the masses. But it impinges upon the masses only at one point—the graduation of corporation income tax rates, which will hit hardest the great corporations most popular with small investors.

Justification for taxing bigness in business was based upon the assumption that concerns operating nationally received advantages and benefits from the federal government in greater measure than the small unit operating locally. Thus the President avoided charges of penalizing mere size alone, strengthened his position by advocating a comparatively modest step-up in rates, apparently to be based upon amount of income rather than any arbitrary classification by value of assets or scope of activities.

More ominous, however, was the implication that small units must be protected against the large by further penalties. Holding company structures are completely repugnant to the President except for out-and-out investment

units providing diversification for small security holders. One reason surpluses are to be attacked is to remove alleged advantages which accumulated reserves gave rich concerns during depression.

On income taxes the President has his eye on the multi-million incomes. The surtax graduations stop now at the 59% figure that applies to any individual income above \$1 million. There were only 46 taxpayers in this class in 1934 and their aggregate 1933 income was \$81.5 millions. Back in 1929 there were 513 in the charmed circle with combined incomes of \$1.2 billions.

### Another Legacy Cut

The inheritance tax has long been discussed both for revenue and to break up family fortunes. The estate levy which it would augment takes its cut before the estate is divided up, although it gets as high as 60% on \$10 millions. Now another cut would come out of the good-sized individual legacies.

Elimination of tax exemption has been the dream of every Secretary of Treasury since the war and increasingly so as public debt of all character has grown and provided havens for more and more wealth dodging taxes. But a constitutional amendment to permit taxation of income from state securities would put into federal hands a club that could destroy states' rights utterly.

## Security—Amended

**Senate permits wide choice in types of unemployment insurance, exempts employers with private pension plans from old-age tax. Annuity plan killed.**

PRESIDENT ROOSEVELT's vast program for social security was approved by the Senate this week, with important amendments, some of which may be eliminated in conference. The House had already passed the bill, in somewhat different form. As approved by both houses it provides for immediate state-federal old-age relief; a tax on employers and employees for old-age insurance; and state-federal payments for child welfare, the blind, and other purposes.

Major points for business men:

The law may be adjudged unconstitutional.

Under Senator Clark's amendment, the payroll tax for old-age insurance will not be imposed on employers who maintain private pension plans. Administration spokesmen and the American

Federation of Labor fought this amendment, declaring it would foster company unionism and would encourage employers to hire young employees and discharge them before they reach the retirement age. The amendment will face strong opposition from House spokesmen in conference.

Whereas the House bill, through the punitive tax plan, requires that state unemployment insurance funds shall be pooled, the Senate bill allows freedom of choice. New York and Washington, for example, have passed laws for a fund in which all contributions are mingled, and from which payments are to be made to the unemployed, no matter whom they worked for. This is what the House bill insists on. But Senator LaFollette fought for a pro-



vision authorizing the Wisconsin plan, under which the contributions of each employer are segregated for the sole benefit of his own employees if they lose their jobs. New Hampshire has a third type—a pooled fund but with segregation of each employer's contribution for accounting purposes only, with a view toward a readjustment of the law later in favor of employers who help cut the rolls of the jobless. The Senate bill allows all 3 of these plans.

#### "Good Behavior" Rebate

To make this liberalizing provision effective, the Senate bill grants an additional tax rebate to employers who, in states with the Wisconsin type of law, keep unemployment down. Employers in any state, when paying the federal unemployment tax on payrolls, may deduct the taxes paid for state unemployment plans, up to 90% of the federal tax. Under the Senate plan, the Wisconsin employer can also deduct the additional amount he would have paid to his state if he had failed to regularize employment and so had been liable to the maximum tax.

There will be no sale of voluntary old-age annuity bonds by the federal Treasury. The House had rejected such a provision. The Senate finance committee approved it. The Senate turned it down as putting the government in the insurance business.

The unemployment insurance tax will definitely be on the total payroll, not merely on the wages of persons included by the respective states in their insurance laws. Both houses have approved this.

## Labor Collects

**But new collective bargaining control faces serious tests.**

THE American Federation of Labor got either a blank check or a bad check on industry when the House followed Senate action by passing the Wagner-Connelly Labor Relations Bill this week. If, after signature by the President, the new measure turns out to be both constitutional and enforceable, the Federation unions will expect a heavy increase in members, dues, and power to dictate industrial labor policies. Everything has been done to ensure this through government approval for practical outlawry of company unions, the requirement that representatives of a majority of employees shall overrule minorities however large, and the imposition of restrictions upon employers without provision for preventing union coercion of employees. This is the practical situation, however neutral the professions of congressmen who voted with Senator Wagner.

But the measure which President Green of the A. F. of L. calls "the



**NRA ADVISERS**—To assist the executive board in the administration of NRA during the 9 remaining months of its vestigial existence, the President this week appointed a new Advisory Council. Its members (left to right, top): Emily Newell Blair, former head of Consumers' Advisory Board; Howell Cheney, former secretary, Cheney Bros.; Charles A. Edison, son of the inventor, and (bottom row) Walton H. Hamilton, Yale professor, both former N.I.R.B. members; William Green, A. F. of L. president; and Philip Murray, of United Mine Workers.

Magna Charta of labor" looks like a bad check on 2 counts. In the first place, it confronts the Supreme Court's restriction of federal control over labor to employees directly in interstate commerce under the narrow definition of such commerce just laid down by the Court in the Schechter case. Thus, despite changes in the Wagner bill since that decision, its Constitutional future is heavily clouded. Incidentally, of course, the litigation in store will have the very worst possible effect on industrial peace. Beyond the Constitutional question is the problem of enforcement in thousands of plants where union leaders and employers will not see eye to eye. And the country's experience with the same kind of problem under NRA promises only confusion to the new experiment.

## Joint Selling

**Manufacturers find it pays to join forces in industrial marketing.**

JOINING forces for more economical and more effective sales effort is threatening to become the fashion.

Last week the Westinghouse Electric & Manufacturing Co. and Pittsburgh Plate Glass Co. launched a cooperative campaign for promoting modernization of retail stores.

Using the theme of "Modernizing Main Street" (BW—Jun 8 '35) the campaign is hitched to the Federal Housing

Administration program for insuring loans (BW—Jun 15 '35) and is expected to open up a big market for the construction and electrical industries.

Four slide and sound films are used to portray the ways and means of improving store fronts and interior lighting. To sew up the argument, the films report the actual experiences of retailers and property owners who did modernize, some retailers claiming sales increases ranging from 50% up to as much as 200%.

#### Farm Implement Tie-up

Joint selling has been adopted by important companies in other lines. Deere & Co. and Caterpillar Tractor Co. recently effected an arrangement by which their sales agents in various territories handle both lines.

A new diesel power generating set will be marketed through the representatives of the 2 producing manufacturers, the Harnischfeger Corp. of Milwaukee, which manufactures the electrical equipment for the set, and Caterpillar Tractor Co. which makes the diesel engine.

Similarly Westinghouse Electric & Manufacturing Co. furnishes the electrical and control equipment for electric locomotives and mining locomotives while Baldwin Locomotive Works supply the chassis and mechanical parts. In several other fields where the final unit is composed of several components that require highly specialized production methods, plans for joint selling are under way.

# FTC to the Rescue?

If you want a trade practice agreement, here's how; but, also, here's how industry has grown dubious of the Federal Trade Commission and its works.

RECOVERY is in full swing at the headquarters of the Federal Trade Commission in Washington. Since the NRA decision, 12 industries have informally applied to the commission for trade practice conferences and 40 others have asked for "further particulars." Which is quite a record in view of the fact that during its 18 years before NRA, the FTC completed only 150-odd trade practice agreements, and during the 2 years of NRA had the National Wholesale Druggists Association as its sole convert.

The current rush of customers includes groups that have never previously been FTC clients or even hot prospects. These are industries which feel the new NRA setup has so brief a term and is so full of don'ts that there's no justification for the expense and effort that would be involved in rallying their members to the support of a voluntary code on the new model. Hence, they are turning to the Trade Commission to see if its trade practice conference plan leading to a trade practice agreement won't serve better and longer.

## FTC Creed Acceptable

Theoretically the FTC brand of religion for industries isn't so bad nor is the procedure prescribed for converts very complicated.

First of all, there must be a formal application for a trade practice conference from an association or group that is representative of the industry. There must be a description of the business, a statement of whom the proposed agreement is to cover, and details of the unfair methods of competition, trade

abuses, and uneconomic or unethical practices which the industry desires to eliminate through the trade practice agreement.

If the conference is authorized by the FTC, all those interested are invited to attend. It is held with a commissioner presiding, and resolutions involving the proposed rules are introduced, discussed, and acted upon. Those adopted by the conference are then submitted to the FTC. If the commission approves, a record of its action is sent to each member of the industry, accompanied by a form on which to signify individual acceptance of the rules. Thereafter, the responsibility for gaining observance of the adopted rules rests with the industry or its trade association. But the seal of FTC ("government") approval helps.

## Warned on FTC

However, oldtimers sound a warning that, on its record of performance, the FTC does not look quite so promising in the rôle of a salvage organization for distressed NRA codes.

They recall that the majority of trade practice agreements authorized during the early years of FTC were so limited in scope that they resulted in few permanent benefits for the industries involved. There followed a period when more liberal agreements were approved and leaders in some fields began to look upon the commission as a constructive force of considerable value. Then came the famous crackdown of 1931 when, under pressure from the Department of Justice, FTC cut the most vital provisions out of 80-odd trade practice agreements and thereby cracked up practically all

the confidence that business had in its efficacy.

Since then its standing as a constructive agency for aiding industry has been further damaged. Several industries have found it impossible to have the FTC accept definitions of unfair practices on whose unfairness practically all their members were agreed. In the summer of 1931 the commission published results of a self-appointed inquiry into the sentiment of business on price-maintenance legislation which insiders condemned as a framed attempt to influence legislators and the public against such legislation, since the majority of the manufacturers it chose to address could not have been expected to vote otherwise than unfavorably. And during the last 6 months of NRA, the commission has appeared to be committed to a program of harassing industry, rather than helping it (*BW*—Apr 27 '35).

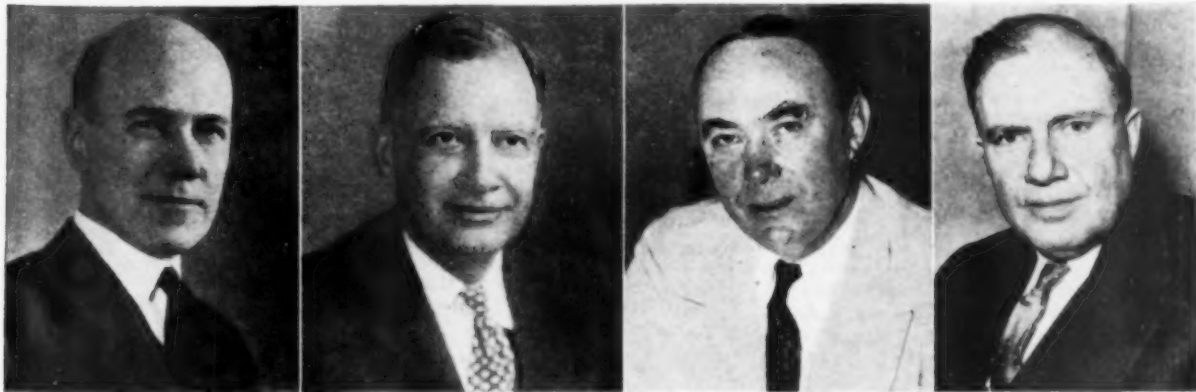
## But Some Have Hopes

However, there have been some hopes of a change since NRA went out. In a recent radio address, Harper Sibley, president of the Chamber of Commerce of the United States, advised business men to turn to the Trade Commission. He held that the new NRA with its anti-trust law amendment is ambiguous as to the authority of the approving agency, argued that trade associations, with the help of FTC, furnished an avenue to proper agreements for the elimination of unfair practices.

Nevertheless, with the new NRA barely geared to its job, 16 industry groups have already submitted voluntary codes for a decision—when, with the help of legal advice, the shadow comes to a decision on how much substance it has.

## Wired Repairs

To that imposing list of odd jobs which telegraph companies will do for you (walk your dog, buy your theater tickets,



Underwood & Underwood

Harris & Ewing

Arme

Wide World

**NRA CHIEFS**—Appointed to head up the voluntary code compliance program, these 4 men will keep the NRA machine running. James L. O'Neill, (left) vice president, Guaranty Trust Co. of New York, succeeds Donald Richberg as Administrator. Prentiss L. Coonley, director of the Walworth Co., is head of the new Division of Business Cooperation. George L. Berry, president, International Pressmen's Union, is assistant to the Administrator to represent labor. Leon C. Marshall, University of Chicago research economist, will keep the records on business' voluntary code performance as director of the Division of Review.

send your wife anniversary flowers, etc.) was added one more this week—radio repairing. If your set breaks down just before Fred Waring or Franklin Roosevelt goes on the air, call Western Union. One of the 13,000 servicemen enrolled in the Radio Manufacturers Service, sponsored by Philco Radio & Television Corp., will be on the job in a few minutes. Cost depends on ailment.

## Grocers Differ

**Retailers lean to voluntary code; wholesalers have other ideas.**

WHETHER it's NRA, FTC, AAA or what have you, the country's wholesale and retail grocers are determined to find some sort of well-made legal umbrella under which they can gather to preserve the gains made under NRA.

At Indianapolis this week, conferences between wholesale and retail grocers preceded the annual convention of the National Association of Retail Grocers. The retailers were inclined to follow the suggestion of the principal convention speaker, General Hugh S. Johnson, late of the late NRA, who after warning them against "pale precedents" set up by the Federal Trade Commission (page 7) recommended a strong voluntary code.

Simultaneously the officers and board of governors of the National-American Wholesale Grocers Association met in Indianapolis to discuss problems arising out of the Supreme Court decision against NRA. These discussions showed that many leaned toward the plan of seeking relief from flagrant malpractices through obtaining the enactment of fair trade laws (BW—Jun 1 '35) and other types of remedial state legislation, as being more easily carried out and more possible of enforcement in the respective trading areas.

In sharp contrast with this attitude of the N.A.W.G.A. is that of its competitor organization, the United States Wholesale Grocers Association, less powerful but no less militant. At its recent Memphis, Tenn., convention, the latter voted to wage a vigorous campaign in favor of amendment of the Clayton Act so as to permit the barring of price discrimination and other practices that have become the vogue since chains and other mass distributors appeared.

Its president, J. H. McLaurin, demanded that its members back up that campaign with a million dollar war chest. He said that a half-million would do for a starter. When the 300-odd militant members had handed in their subscriptions, the total came to little more than \$10,000. Now Mr. McLaurin faces the problem of how to raise the other 99%.

## Insecurities Market

**Sale of fraudulent stocks looks up but SEC strengthens clean-up.**

DEMAND for worthless stock is looking up. Maybe it is the manipulation of a feeling that better business and higher security values impend, maybe it is the enterprise of worthless stock salesmen who can show their legitimate brothers pointers in persistence and ingenuity.

Value of the Securities and Exchange Commission as a deterrent soon will be apparent. Dealers must register with SEC before Aug. 1. Use of the mails for security iniquities is forbidden; registration is denied to any dealer with a smelly record. Effectiveness of the SEC, cooperating with the old regulatory bodies and Better Business Bureaus, will depend on the vigor of its law enforcement and the speed with which it strikes.

Since Sept. 1, investors have lodged 10,000 kicks with SEC. Many of these were squawks of disappointed speculators. But 200 dealers have been put out of business (temporarily at least), and the heat is on many others. Chairman Joseph P. Kennedy's force of 100 investigators is busy, an important activity being the assembly of its own rogues' gallery.

One trouble: The really bad actors are outside the law anyhow and the Securities Act is just something else to be broken. Operators are fairly well

known since marketing worthless paper for fancy amounts is a fine art, achieved only by the assiduous after years of study and practice. They are hard to snare because they are in-and-outers. After a quick cleanup, they skip to new locations. Orthodox technique is a "boiler room" with a battery of phones where high-pressure salesmen ("dynamiters") service sucker lists. Widows and doctors bite best, repeat oftener. Favorite method is sale of a legitimate stock to establish confidence; then an artful "switch" to no-good paper. It is almost impossible to close any such deal without the mails, and there is where the government hopes to get them.

### Changing Styles

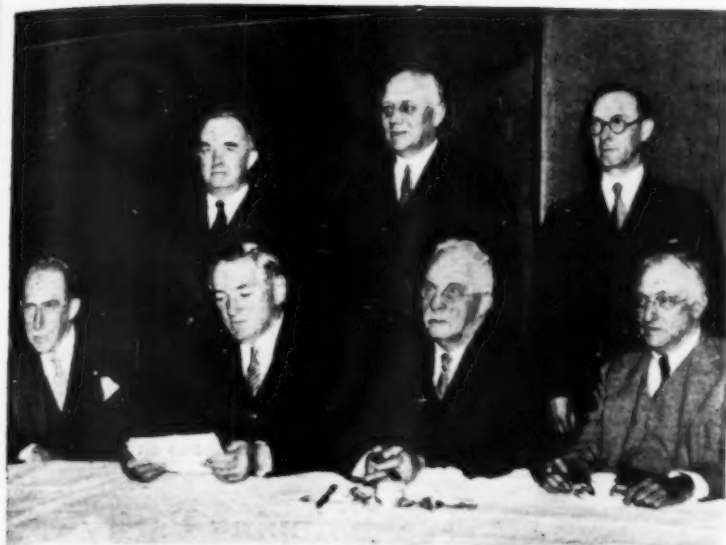
Two years ago there was a great run on the cats and dogs of repeal. Last year it was television. This year gold mining is most popular—valuable publicity having been afforded by devaluation arguments. Some of the bad boys are now working from Canada.

Interest in oil royalties (BW—Apr. 7 '34) continues. Much of this business is legitimate but much is in the moral twilight zone. Main complaint was that promoters circulated well production figures in a way to make the investor believe that the claimed flow would be eternal, that royalties were represented as continuing income when actually they are payments out of a diminishing capital. The SEC is attacking such representations on the grounds that they are "misstatements of material facts."



**TALKING TURKEY**—Last week, when Huey Long set a filibuster record for this session—a 15½-hour speech about pot-likker and the Constitution—these 5 freshman Senators who style themselves the "Young Turks" took a vow to smash Long's dominance of the Senate. Left to right: Senators Guffey (Pa.), Burke (Neb.), Schwollenbach (Wash.), Minton (Ind.), and Moore (N. J.).





**BOSTON TRANSPORT PARTY**—At the conclusion of a luncheon-conference on the problem of coordinating railroad transportation to insure more efficient service, the committee of New England governors, Green of Rhode Island, Curley of Massachusetts, and Cross of Connecticut (left to right, front row) announce that a complete program will be prepared within 30 days. Those who will have a part in the planning include Rolland Spaulding (lower right), former governor of New Hampshire and chairman, New England Railroad Committee, and railroad presidents Edward French of the Boston & Maine line, M. W. Clement of the Pennsylvania, and Howard Palmer of the New Haven (left to right, rear).

## Toledo Tries Intervention

**Newspapers back Labor Department official's entry into Toledo power strike—which "saves face" for everybody, except possibly the government.**

PEACE has once more been restored in the Toledo Edison plant where a strike broke out again last weekend following an earlier flareup that threatened to cut off the power supply of Toledo industries (*BW*—Jun 8 '35). Edward F. McGrady, Assistant Secretary of Labor, was agreed upon June 16 as the arbitrator for the first decision of a 2-stage arbitration of the strike after he had offered himself for that service. Initially there had been doubt whether an arbitrator could be found quickly enough and impartial enough to satisfy an impatient union.

The acceptance of Mr. McGrady followed an unusual intervention by a committee of Toledo newspaper editors and publishers. At Mr. McGrady's suggestion K. K. Matson, editor of the *Toledo News-Bee*, asked Grove Patterson, editor of the *Toledo Blade*, and Richard Patterson (no relation to Grove), vice-president and general manager of the *Toledo Times*, to meet with the Labor Department official. They agreed to support the proposition which both sides to the dispute afterward accepted: McGrady immediately to arbitrate the granting of a 5% wage increase and the

union and company then to arbitrate the remaining 15 points of an initial demand for 20% increase. The second arbitration, contingent upon the granting of the full 5% in the first, was to be held in the regular way, with outside arbitrators and more time to be devoted to the case. Mr. McGrady was to render the first decision within the week.

The complication of the settlement program was but matching the complex Toledo situation. Toledo Edison is the largest Ohio unit of the Cities Service public utility group. It serves 380,000 population in a quarter of the state where labor disputes have been endemic more than a year, the most serious of them recently setting Chevrolet back 3 weeks in its assemblies. The same gear and other parts plants which had been tied up by previous strikes were once more threatened, first on June 5 and again June 14, by the walkout of utility workers who supply plant power.

The first strike ended in an agreement to arbitrate a 20% wage increase demanded by the union. The second occurred when the union became impatient with the rate of progress of the arbitration. Cities Service representatives

said June 12 they had been unable to assemble cost-of-living and other data for the arbitration, although the dispute had been under way for 2 months.

Following a meeting and second strike vote the evening of the 13th, the union sent pickets to the generating station, putting some in a rowboat on the Maumee. Most of the employees of the station remained at work. Power supply was unaffected, but several hundred street lamps in outlying sections were dark. Wires were cut in a number of places. Power supply in certain outlying areas was "shorted" and in one instance mysteriously turned on again. In the course of the 4-day suspension, Toledo people began to think they were expected to realize a strike was in effect but that nothing very serious would happen so long as negotiations continued. In the first strike a 132,000-volt transmission line interconnecting with the affiliated Ohio Public Service Co. was grounded.

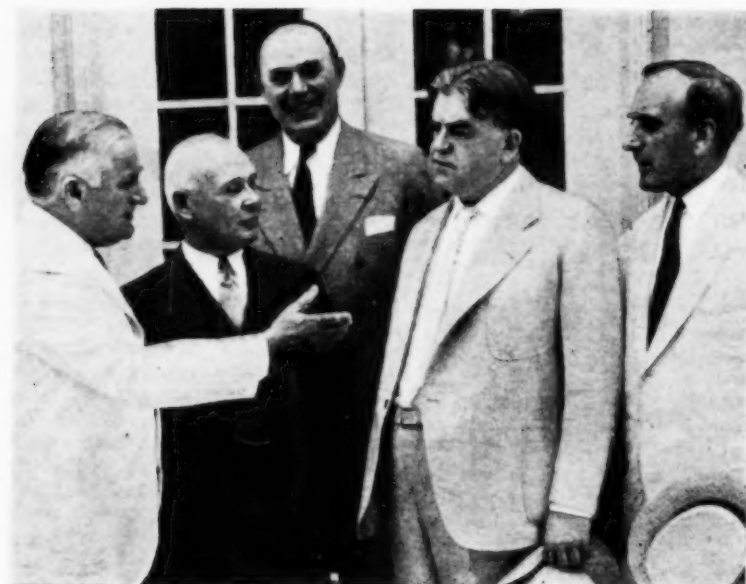
### Strike Chiefs Gather

McGrady flew to Toledo at the request of the Chamber of Commerce and newspapers. W. Alton Jones, vice-president of Cities Service, flew from New York, and F. D. Bieretz, acting president of the electrical workers, from Washington.

Meanwhile about 180 office workers, members of an independent union, went on strike demanding the restoration of two 10% cuts and an additional 20% increase. The office workers had not been restored to their old rates when the company granted the same restorations to the union maintenance employees following a strike threat a year ago. Their picketing stopped the collection of bills. They had the support of the Central Labor Union, members of which were picketing the generating station. Electrical workers on strike said they would not pass this picket line unless the office workers' strike was settled also. The office workers were led by John C. Taylor, man-about-town and "intellectual," husband of a member of one of Toledo's old families. On June 18, they also agreed to accept McGrady as mediator and returned to work.

### Government Takes Responsibility

Newspapers had believed from the start that the greatest need was proposals which would save the faces of officers of the Toledo Edison, as well as of Cities Service, in view of the relations with other utilities personnel in the system, and would permit the officers of the union to persuade their men to vote for them. On that account the editors were willing to meet with both sides and support verbally, as well as editorially, the suggestion McGrady was making. McGrady's intervention was regarded in some quarters as government intervention, and it was suggested that the rates of pay he would propose



**STRIKE OUT**—Appearances to the contrary, Senator Guffey (left) doesn't have to plead with John L. Lewis (second from right), president of United Mine Workers. The Senator and Mr. Lewis understand each other. On the promise of quick enactment of the Guffey bill, Mr. Lewis agreed last week to postpone the threatening bituminous strike until June 30. Others who participated in the White House conference are (left to right) D. C. Kennedy, chairman, Appalachian Joint Conference of Operators and Miners, George L. Berry, labor representative on the new administrative NRA board, and Representative J. Buell Snyder.

would be blamed or credited to government sources. Thus informally was the Labor Department regarded as taking the first step in wage-setting in vital situations.

## By Governor's Edict

**Cochran of Nebraska uses troops to stop street cars and force both sides to yield in bloody strike.**

SHOULD governors use martial law to compel settlement of strikes in essential services? Governor Floyd B. Olson of Minnesota did it last year in the truck-drivers' strike in Minneapolis. Governor R. L. Cochran of Nebraska did it this week in the street-car strike in Omaha.

The strike had lasted 2 months. The Omaha and Council Bluffs Street Railway hired 100 private guards. Crowds of strikers and their sympathizers gathered in South Omaha and attacked street cars. Police fired at them. On the third night of successive fighting, police cars were whizzing through the city, and policemen jumped out to fire at groups of curiosity-seekers who had come out to witness the excitement. In all 2 persons were killed and about 100 hurt.

After repeated appeals by local authorities, Lieutenant-Governor Walter H. Jurgensen reluctantly called out the National Guard. Governor Cochran, absent in Mississippi, flew back to Omaha, ordered all outside organizers for the

union to leave town, and demanded that both sides arbitrate. The union consented. When the company delayed, he ordered all cars off the streets.

A few hours later the company agreed to arbitrate except on 3 points—the closed shop, restoration of seniority to the strikers, and the rehiring of all of them. There were a few men the company didn't want to take back. But finally it agreed to arbitrate all points, and street-car service was resumed.

## No Coal Strike Worry

**Guffey bill expected to pass and bring peace, either in time to avert a strike or a few days later.**

THERE will probably be no coal strike, and if there is one it will be of short duration, producing no hardship. That is the immediate outlook for the bituminous coal industry.

What is of permanently greater importance, both to the industry and to the public, is the likelihood that the Guffey bill will pass, and the coal industry will become a public utility, regulated so as to assure minimum prices, a fair profit, and complete unionization—unless the Supreme Court finds the act unconstitutional.

The strike was to have begun at midnight, June 16, but President Roosevelt won the eager consent of both sides to a truce, extending the prevalent wages

and working conditions to the end of the month. Meanwhile, the President asked congressional leaders to support the Guffey bill. Possibly the bill will not have been pushed through Congress before July 1; but if it seems on the verge of passage, President Lewis of the United Mine Workers will probably postpone the strike.

If the strike does come, it will not cause a complete shutdown, since some large mines in Illinois will continue operating with members of the Progressive union, rival of the United. There is more than 6 weeks' supply of coal on hand. Moreover, in the event of a strike, Congress would probably rush the Guffey bill through in a few days, bringing the strike to an end.

## Shipping Parity

**Kansas orders contract trucks to charge railroad rates.**

CLIMAXING "Railroad Week" in the West (*BW*—*Jun 15 '35*), the Kansas Corporation Commission has ordered 2,000 intrastate contract truckers to increase rates on shipments of over 5,000 lb. to not less than the corresponding carlot railroad rates. There will be only a few unimportant exceptions. On smaller shipments their charge is to be 80% of the railroads' less-than-carlot rate. On livestock, principal tonnage for contract trucks, 5% over rail rates is allowed to equalize for pickup at the farm.

Charles W. Steiger, attorney for the commission and father of the port-of-entry idea (*BW*—*Jul 28 '34*), calls Kansas the first state to adjust all types of freight transportation to a level near parity.

This is the state's second "parity" move. Common carrier truck rates in Kansas were raised to the railroad level early last year at the request both of the railroads and a few of the larger responsible trucking firms. Since this raise, the contract truckers have worried the commission, their rates being 25% less. Incidentally, despite the boost in common carrier rates, a comparison of intrastate ton-mile fees (May, 1934—\$21,000; May, 1935—\$44,000) indicates tonnage has doubled in the last year. Neither figure includes interstate port fees.

The new rates, effective July 15, will divert much livestock and grain back to the rails, though many more shippers will now buy their own motor trucks, operate private fleets to escape the new burden.

It is no secret that Governor Landon, who polled a heavy railroad vote, is interested in seeing the railroads get a better break with their highway competition.

# Export Business Is Better

**Leaders in American industry report to *Business Week* that foreign sales increased an average of 35% last year; largest number of new branch plants have been built in England or Canada to manufacture for the Empire; Latin American markets have recovered most quickly.**

How is your export business? If it is up, what has it meant to employment in your home plant? Have you added to your foreign sales force, or have you built new branch plants abroad?

*Business Week* has asked 160 of the companies in this country which do a huge export business to answer these questions for the benefit of business as a whole. All important divisions of the American industry are represented in the replies.

Here are the composite answers to these questions:

Export business as a whole was 35% greater in 1934 than in 1933, and the gain in the first five months of this year over last is even larger.

To handle this additional business, about half of the manufacturers have increased the number of workers in their plants. Some have increased personnel from 10% to 30%; others have added as many as from 30 to 800 workers. One employer reported a \$500 weekly increase in payroll to handle increased export business.

Only a modest number of new branch plants have been built abroad in the last 3 or 4 years, but a good many companies have added to their sales forces in markets which in the last year have shown new activity. Largest number of new branches, or of branch extensions, has been made in England or Canada to handle British Empire business. Latin America is considered the most promising market, though in most cases expansion in this territory has meant an increased sales force rather than new branch plants. France has attracted several manufacturers of machinery, and South Africa is mentioned by many as an increasingly important market.

## Approve New Treaties

There was a fourth question: Do you approve the current move in Congress to end the President's special power to negotiate reciprocal trade agreements, and to terminate the five already made? To this, the answer was almost unanimously "No." One executive declared that the "reciprocal trade movement is the only intelligent move in the last 5 years for the rebuilding of international trade." Another export executive summarized the thinking of the few mild dissenters: "A company should be allowed to use individual initiative and enterprise in building up its foreign busi-

ness, with intelligent help and cooperation from our government in arriving at the best possible quotas for our exportable products. Competent, non-partisan boards of trained business men and practical economists should be charged with working out reciprocal trade treaties. The results may not be achieved so quickly as would be the case if a single man, as—for example—the President or a board that he dominated, drew up the plans, but in the long run they would be more satisfactory."

## Gains and Losses

Greatest export gains, on a percentage basis, were recorded in the textile specialty field; foreign sales of at least 2 companies advanced more than 100% last year. Only real losses were reported by some of the food companies (particularly flour and meat) which are suffering from the shortage of supplies even for the home market.

Automobile and machine tool manufacturers are probably the most optimistic about the future. One big automobile exporter reports that sales abroad for

the last 12 months are nearly 4 times what they were two years ago. Another manufacturer says 1934 foreign business was as good as 1929, and that the export field force has been doubled to handle the increase. One machinery firm anticipates that 1935 business will be three times the 1932 total. A tire manufacturer reports 21 new foreign distributors.

Latin America is mentioned by more executives than any other sales area as a field of outstanding opportunity, with Argentina, Brazil, Chile, Colombia and Mexico mentioned specifically as markets which have shown specially increased activity. Russia is mentioned only once as an important market last year or this. Several companies have added a sales representative to cover the Near East.

## "Empire Plants"

One striking fact brought out in the survey was the increase in activity in the English and Canadian plants of many manufacturers, due to the British Empire trade agreement which gives a tariff preference on goods manufactured within the Empire. While many companies have had branches in Canada for some time, a number have built their first Empire plants within the last few years and have located them in England. At least two companies report that they have increased their personnel in these English plants more than 50% recently to handle improved Empire business. Reflecting the striking increase in demand for automobiles in several Euro-



**SOVIET ON THE DOTTED LINE**—To refine the 12,000 bbl. of gasoline and by-products which its new oil fields in the southern Ural Mountains are capable of producing daily, the U.S.S.R. buys \$1.2 millions of new American equipment. Ivan V. Boyeff, chairman of Amtorg, and William C. Dickerman, president, American Locomotive Co., sign the contracts which Alco Products, Inc., a subsidiary, will fill. Despite unsolved credit problems, renewed Soviet buying is anticipated.



pean countries, one of the large automobile companies is establishing a parts depot in London and expects to create one on the Continent later this year.

Of the 5 countries with which new trade agreements have been signed by the Roosevelt Administration under the new reciprocal trade policy, all except the pact with Cuba have been signed too recently for executives to know how much they may benefit. Several companies report huge increases in shipments to Cuba, one company definitely stating that exports to Havana are up more than 200%.

As a group, the executives who responded to the *Business Week's* request

for specific information concerning export business were optimistic. With many of them, foreign orders are absorbing more than 20% of total output, though several reported they were able to meet a greatly increased foreign demand without increasing manufacturing personnel.

If Europe, excluding England, has failed to show the gains that the Latin American and African markets particularly manifest, it is still significant that at least half a dozen of the largest companies responding to the survey have their export managers traveling on the Continent now inspecting prospects for the fall and winter.

## Wheat Needs Strategy

**While surplus troubles again threaten wheat market for United States and Canada, European supplies are low and we can still play for profits.**

WHEAT last week took a further wrenching as surpluses, which have been on the way out since 1933, showed more and more promise of coming back. Breaking of the drought was sad enough for the wheat price, but when first hedging sales from the early Southwest harvest met thin markets and bearish sentiment, and when Canada complicated things by turning up with a compulsory marketing control bill, gloom deepened. The grain trade saw another wheat mess shaping up for North America. In Washington

at AAA headquarters it was admitted that the outlook was for an exportable surplus and that export subsidies might be revived.

Critical months are ahead for spring wheat in our Northwest and in the Canadian Western provinces, but winter wheat, the major crop, is all made and early harvest returns are a little better, if anything, than last government guesses. Unless spring wheat is scorched out in July and August, it looks like 670 million bu. of domestic wheat this year,

which will be more than plenty. With perhaps 175 million carryover on July 1 plus the new crops, an excess of more than 200 millions may be in sight for the season just about to start. Hence it is probable that export markets will again be sought.

### Canada's Problem

Canada's troubles overshadow ours by far. With wheat a major fundamental of the Canadian economic structure, it is vital for the northern country to recapture her slipping world trade. But her efforts of the last year have been singularly tactless. Premier Bennett, plugging for his control bill, admitted government holdings total 225 million bu. Thus Canada doubtless will find 200 millions still on hand when her season ends Aug. 1. Then, with a crop of 370 millions—not yet made, but promised—Canada will go into the season with something like 450 millions of surplus to sell, a job requiring the highest quality of salesmanship.

And at just such a time as this Premier Bennett chose to introduce the marketing control bill into the legislature. English millers resent the move. England detects a continuation of the price maintenance policy which has caused so much trouble throughout the history of the Canadian pools and their market pegging operations. Last year the pool told the mother country she would need Canadian wheat and have to pay up for it. But in 6 weeks, when the season ends, total sales will undoubtedly appear about 80 millions below estimates made at the beginning of the season when Canada made the mistake of thinking Europe would be forced to buy heavily from her.

### Market Waiting

North American price declines and big crop prospects may not, however, cause the trouble that a discouraged grain trade thinks. The bull market in world wheat that Canada and the United States expected this year, and which fizzled miserably, may turn out to be only postponed.

Native European surpluses are largely used up. Italy's excess has disappeared. Germany is down to a thin margin and France, chief surprise springer in 1934-35, not only has a poor crop coming up, but will have only a moderate surplus left. Australia is still persecuted by drought and Argentina is getting dry. Acreage in both southern hemisphere countries is likely to be below last year. Hence the first real market to greet American wheat growers in 3 seasons may be waiting abroad this coming fall and winter.

Moreover, the late price drops here were far from a calamity. On the contrary, values in the Pacific Northwest reached a point where export business with both Europe and Asia in competition with Australian supplies was only a



**RIVERS ON RAMPAGE**—First drought, then dust storms, now a series of freakish floods afflict the West and Southwest—not all in identical sections, however. Following similar disasters in Kansas, Colorado, and Nebraska, floods in Texas and Oklahoma wreak wide havoc. The Colorado River of Texas was swollen far out of its banks at Austin, the Lone Star capital. Estimated damage: \$2.5 millions.

# Strip Mines! . . . Acres of Jagged Flint Tore and Chewed at Treads . . . But We Brought Out the Coal . . . and a Better Truck Tire



In photo at upper left a steam shovel is loading a truck at an Illinois strip mine. Central picture is a painting of a Pennsylvania stripping operation. At lower right is a closeup of a Goodyear lug-type tire at work among the rocks.

NOTE—Neither luck nor accident could account for the fact that for the past eleven years more tons have been hauled on Goodyear Truck Tires than on any other kind. Years of research, experiment and practical experience won this dominant position for Goodyear. Constant vigilance holds it. This page recalls one of the many gripping episodes in the never-ending Goodyear quest for ways to build better truck tires.

**NO MAN'S LAND . . .** that's a strip mine. Stark, barren terrain—rough, sinister, forbidding. Acres of coal lie right on the surface for the taking—acres of grief on that same surface for trucks, truck tires and machinery.

Years ago when coal was plentiful this surface coal was not worth bothering about. Now it's valuable. Stripping operations dot the coal country. There are no permanent roads. You haul today's load over rocky, broken ground that will make up tomorrow's load. Hauls are short but loads are heavy, grossing as high as 15 to 20 tons.

Truck tires? . . . Some of them lasted only 6 to 10 weeks.

If sidewalls and body stood up, the treads were cut to ribbons on the jagged, flint-like rocks. If treads held up, the bodies gave way under the beating.

★ ★ ★

To the mines went Goodyear men. Around Frackville, Pa., extensive stripping operations went on. Right there on the ground—right in the truck tire torture chamber itself—Goodyear worked out the answer. And it's the *right answer*. More and more of the trucks are equipping with the lug-type Goodyears. And in the language of the miners they "walk right out" with their loads.

★ ★ ★

Twenty years ago Goodyear operated the Wingfoot Express regularly between Akron and Boston to prove that trucking on pneumatic tires was practical . . . Before that—and since

—Goodyear has pioneered development after development. No boundary confines its proving ground—it is just outside your window wherever truck wheels turn. . . . That's why you get the money-saving features cited in the box at the right.

Maybe you're the grocer on Vinewood Street...or the sole proprietor and driver of the pick-up baggage truck that meets all the trains...You may feel that your work doesn't need truck tires as good as Goodyears . . . But why not? You need *pay no more* for Goodyears. And in the complete Goodyear line there is just the right tire for every type of job, for every pocketbook.

This is important, too—and has been for eleven years—*More tons are hauled on Goodyear Truck Tires than on any other kind.*

## . . . and Today

Goodyear Truck Tires give you:

1. Freedom from Blow-out
2. Long, Even Tread Wear
3. Positive Traction
4. Longer Tire Life

You get those four superiorities because only Goodyear gives you all these features: 1. Patented pre-shrunk Supertwist cord. 2. All-weather tread. 3. Chemically toughened body rubber. 4. Improved bead. 5. Wide, flatter tread shape. 6. Pima cotton, longest fiber grown.

No other company builds as many truck tires as Goodyear.

No other company builds as complete a line of types and sizes.

Goodyear builds just the right tire for every job—for every purse.

# GOODYEAR TRUCK AND BUS TIRES

**MONEY SAVERS**

© The Goodyear Tire & Rubber Co., Inc., Akron, Ohio

cent or two out of line for us. If our hand is played right, we may yet forestall the re-accumulation of surpluses. If Canada's hand is played right she may find the market more amenable to a different quality of salesmanship. Meanwhile, the future of the North American crop is in the hands of the weather man.

## AAA Digs In

**Wallace shields farm act with skilful amendments to meet Court criticism; House passes measure.**

AAA is getting a facial and scalp massage in Congress. The NRA decisions subtly disciplined the farm-control group, and AAA has dressed up by changing the wording of its act, clipping Secretary Wallace's delegation of power, and paring the licensing power down to an "ordering" power. With the NRA verdict still ringing in its ears, AAA hastened to revise its proposed amendments accordingly. Result: The new bill was approved by the House on Tuesday.

Also, in sudden panic for fear an adverse decision on AAA's constitutionality next fall will find them with the back door open, the champions of agricultural control have included a paragraph in the new bill prohibiting processors from trying to get back any of the taxes they may have paid out since 1933. As an additional hedge against trouble, the bill not only makes the processing taxes a direct levy by Congress, but requires that they be continued at the established rate even if the statutory material surrounding their imposition is declared unconstitutional.

Thus AAA is taking to the storm cellar after seeing neighbor NRA's structure uprooted by the judicial hurricane. Undoubtedly it has strengthened itself by hurried changes. There may still be processors who will attack the constitutional validity of the entire scheme, but their case will be weakened.

The shift was cleverly maneuvered, for AAA loses very little power. It will still control production and distribution of basic farm products. Secretary Wallace's discretionary power, in so far as the legality of the new act is concerned, is supplanted by congressional mandates to a great extent; but the control remains, narrowed here and there, yet little changed in bulk.

## Loss-Leader Loss

**Safeway stores use independent tactics against super-markets.**

"BUYING out the competition" is, according to popular marketing tradition, an oft-used weapon of embattled independents caught in some severe local

price-cutting competition. Fortnight ago, Pacific Coast retailers were amused—but none the less pleased—to see their old enemy, the chain store, wielding the same cudgel against a common foe. It was the Safeway stores that contributed this new chapter in retail warfare.

After the NRA decision and the removal of code bans, prices on certain nationally known food products began to tumble rapidly as big super-market operators turned again to favorite loss-leader selling tactics. Safeway was determined that the stable prices—and stable profits—born of code operations should be preserved in the Coast market.

Hence, a Safeway advertisement, announcing not what the chain had to sell, but what the chain would buy. On 24 products in Los Angeles and on 15 in San Francisco, Safeway announced a scale of purchasing prices 30% to 40% above the prices at which the super-markets were selling those same products. Bargain-hunting housewives caught on quickly. So did the super-markets.

Within 3 days Safeway had paid out several thousand dollars for its competitors' products, had done a nice business with the regular customers who brought them in. By that time, the price-cutters had had all they could stand; supplies were exhausted, the purpose of loss leaders destroyed as buyers failed to be lured into other purchases.

Safeway has announced that it will use this same effective and economical method of stopping a price war whenever one breaks out in the future.

## Stocking Standards

**Manufacturers of women's full-fashioned hosiery move to meet consumer demand for quality grades.**

ONE more industry moves to meet the growing consumer demand for specific and reliable information about the quality of products.

Currently, a committee of 21 hosiery manufacturers is putting the finishing touches to a set of standards which will ultimately involve the grade labeling of all the stockings produced by America's 276 manufacturers of full-fashioned hosiery.

Later this summer the standards will be sent out to the industry for a record vote. Ratification by the two-thirds majority, necessary to the establishment of the specifications under the aegis of the American Standards Association, is regarded as a foregone conclusion, for at their annual convention in April manufacturers approved a provisional draft by an overwhelming majority. Six months later the standards will become effective, hosiery will be graded and marked accordingly, violators will be subject to

prosecution by the Federal Trade Commission.

The grading project had its inception in the hosiery code, which, in the approved NRA style, provided that stockings should not be falsely labeled or advertised. The question naturally arose as to just what constituted false advertising. One man's "first" was another man's "third." Manufacturers of better-known, nationally advertised brands charged that makers of unbranded hose were passing off the entire run-of-mill as "perfection," and these producers hotly retorted that mere name prestige was no guarantee of quality.

As far as consumers were concerned it was just another case of the pot calling the kettle black. The volume of complaints indicated that women wearers were all perfectly willing to agree with Prof. Paul Nystrom that "women's silk hosiery has been subjected to almost unbelievable tricks of cutting costs." With

## ANY SAFEWAY STORE WILL BUY

And Pay for in Cash at the Prices Listed Below, Any Quantity of the Following Merchandise in Good Condition:

CANE SUGAR	45¢	HILLS	27¢
BEST FOODS MAYONNAISE	25¢	42¢	
OLD DUTCH CLEANSER	6¢		
DEL MONTE MELBA PEACHES	13¢		
DEL MONTE TOMATO SAUCE	31¢		
WHITE KING Granulated Soap	27¢		
MAZOLA OIL	35¢	MILK	5¢
CRISCO OR SNOWDRIFT	53¢		
WALDORF TISSUE	31¢		
CRYSTAL WHITE SOAP	27¢		
Ritz Crackers	19¢	Del Monte Catsup	10¢
CIGARETTES		Example: Lucky Strikes, Chesterfields, One Grade: Carters	\$1.08

Remember, Any Customer Has the Right to Buy From Any Merchant at the Advertised Price Any Quantity of Merchandise Advertised For Sale Unless a Limit is Stated in the Advertisement. Where a Limit is Stated, the Customer May Make a Separate Purchase Each Time He Enters the Store.



**BUYING OUT CUT-RATERS**—When super markets started slashing food prices on the Coast, Safeway stores evolved an effective technique for handling them. When bargain-hunting housewives read such advertisements as this in San Francisco and Los Angeles papers, they got on the job and bought up the price-cutters' stock of loss leaders in 3 days, resold the goods to Safeway at a profit.



# It's all done by Mirrors

Insulation by reflection . . . the highly polished, mirror-surface of Reynolds Metal reflects 95% of all radiated heat . . . keeps it in or keeps it out. . . . It is water-proof, wind-proof, neither attracts nor harbors vermin, and is resistant to fire.

**V**ALUABLE scientific truths can usually be demonstrated by very simple means. Archimedes took a bath, and deduced the theory of specific gravity (Eureka!). They laughed at Galileo when he maintained that objects fall at the same velocity, no matter what their weight. His proof was simplicity itself. He took different weights to the top of the Leaning Tower of Pisa, dropped them off, timed them, and proved his point. Newton fell asleep under an apple tree, a wind-fall hit him on the head, and the theory of gravitation was born.

You can verify the efficiency of Reynolds Metal in building-insulation by the simplest of experiments.

We can (and will) show you complicated tables, graphs, charts, established by trained research-men using all the heat-loss testing-resources of a modern scientific laboratory. They will only confirm this simple test:

Wrap one hand loosely in Reynolds Metal. Leave the other bare.

Hold both hands close to an electric heater, or any other source of radiant heat. Long after you have withdrawn your unprotected hand, the other, insulated by Reynolds Metal, remains cool and comfortable, for Reynolds Metal bars the passage of heat. Its mirror-like surface turns back heat-rays, just as a looking-glass turns back light-rays.

We like to see people make that test when they come to our laboratory, because, for all its simplicity, it carries absolute conviction.

Now let the technicians tell their story. Certified, impartial tests give

the insulating efficiency of Reynolds Metal, as compared with other common building materials.

For purposes of insulation, a sheet of Reynolds Metal .0095 inch (less than 1/100 inch) thick is equal to:

- 2/3 inch of blanket or quilt insulation
- 3/4 inch of cork
- 8/10 inch of insulating board
- 2 1/2 inches of wood
- 3 4/10 inches of plaster-board
- 12 inches of brick
- 20 inches of concrete

In addition to its high efficiency, Reynolds Metal insulation has two other great virtues—low cost, and ease of installation.

Estimates show that about \$54 will cover the cost of insulating the attic of an average 7-room house, reducing its summer temperatures 15 to 25 degrees. Reynolds Metal insulation comes in sheets or rolls and can be properly applied by any one capable of driving a nail and using a pair of shears. It means low material-cost, low labor-cost, high efficiency.

**W**E can show you letters from all over the country, from home-owners, from architects, from large corporations, from builders . . . all enthusiastically recommending Reynolds Metal, *on the basis of results.*

Here are two examples:

A Texas merchant writes: "We easily estimate that there has been a reduction of 24 degrees in the ceiling-temperature."

From an ice company in Nebraska: "We have had some terrific hot weather with temperatures running as high as 100 to 113 degrees. However, during the hottest days, we

have had no trouble keeping our storages at 24 degrees F. with compressors running at not more than 70% capacity."

Reynolds Metal is in use in homes, offices, dairies, bakeries, ice-cream plants (and in ice-cream delivery-trucks), in hotels, factories, warehouses . . . in every conceivable kind of building. It saves coal in winter and collars in summer. It is an invaluable aid to air-conditioning installations and to overworked heating plants.

**T**HE little shack where Admiral Byrd spent the Antarctic winter alone was insulated with Reynolds Metal.

And the same qualities which give Reynolds Metal its high insulating efficiency make it invaluable for the protection of food, of tobacco, of organic products in general. By shutting out light, it bars the major cause of rancidity and staleness. By preventing moisture-loss or moisture-gain, it seals-in flavor. By reflecting radiated heat, it makes each wrapping a self-contained refrigerator. Better than any other known material, it prevents rancidity, staleness, sogginess, excessive dryness, soiling—in short, preserves the product in a state of factory-freshness.

Any one with insulation or packaging problems should not fail to investigate Reynolds Metal. We stand ready to submit proofs of its efficiency and its low cost. A letter will bring you full information. We have several highly interesting booklets which we will be glad to mail on application. Reynolds Metals Company, 19 Rector St., New York City.

Advertisement

the industry's capacity far exceeding demand, price competition became intensified with the depression and quality suffered accordingly.

Now, in the grading program manufacturers see a way out of intra-industry squabbles, a method of making effective reply to their critics. Representatives of retail organizations, as well as the General Federation of Women's Clubs, have cooperated with them closely.

#### Two Types of Standards

Standards as drafted by the committee after 1 year of work are of 2 types: construction and inspection. Construction grades—A, B, and Sub-standard—are based on 4 factors: width of needle bar, number of flare narrowings, total length of stocking, and number of courses from picot to heel loose course. Inspection standards—irregular, second, and third—cover flaws in the stocking, such as yarn breakage, off-color threads, etc. In establishing these inspection tolerances, the committee took into consideration factors of use. On the assumption that the first 8 inches of hose above the heel are on pretty constant display, the committee has ruled that there must be no imperfection in that section if the stocking is to avoid classification as an irregular. Several imperfections would throw the hose into the second grade, and a "sew-up" in this section—or for that matter, any place in the entire hose—would automatically classify it as a third.

In sector 2, from 8 inches above the heel to the knee, very few minor imperfections are permitted. In the third or knee section tolerances are a little more liberal. In sector 4—the top 4 inches, which the committee figures is normally not in view—an imperfection of  $\frac{3}{4}$  of an inch is permitted, provided it does not materially weaken the hose.

Both construction and inspection grades will be stamped on the hose. However, inspection grades will not be declared unless the hose is not a "first"—i.e., unless it is an irregular, second,

or third. Neither will a straight Grade A be marked in any way. In addition to these construction and inspection grades, the committee hopes eventually to evolve testing standards to cover factors of silk variation (stretch, abrasion, tensile strength, etc.).

To cut down on surplus terminology and stem the copywriter's flights of unlicensed fancy, the committee is also recommending that 3 general classifications be established and is defining them as: sheer (instead of chiffon), semi-service, and service.

## Detroit Talks New Models

**Early show brings early planning for motors, but they're planning refinements rather than drastic changes.**

HAVING enjoyed a whopping 6 months of production and sales this year, car manufacturers are making plans for 1936 models with hopes that next year will carry to a still higher level the steady recovery experienced since early in 1933. Plans are farther along than usual at midyear, because the industry stands committed to the experiment of introducing new cars in the fall rather than in December and January.

The rumor factory at Detroit is now running 24 hours a day. Its products,

however, are having more difficulty in passing minute inspection than in the last few years. The reason appears to be that the industry isn't going to startle the public next year by attempts to popularize 1940 designs in 1936. It apparently has made up its mind that consumers must be allowed to take their car style meals in several courses rather than gulp everything down at one sitting.

In the motor car world 1935 has gone a long way toward setting the pattern for 1936. Manufacturers, perceiving the desire of the public to buy cars listing at \$1,000 and less, have broadened their lines in the last year, generally reaching down into lower price ranges to scoop up additional volume. In some cases, such as Nash, De Soto, Graham, and Packard, they have introduced new cars to supplement long-established lines. The big job next year will be to consolidate the gains of the past year, to establish more firmly the new products.

#### Improvements on Program

This will be done largely by adopting the policy of improving the product by refinements in detail—greater riding comfort, greater provision for safety, greater ease in driving, greater number of operations performed automatically rather than manually. There will be improvements in engines which will give them more power, refinements in independent front-wheel suspension ("knee action" to most people), wider use of the all-steel top, further adoption of hydraulic brakes. The practice of putting the motor farther forward, with both front and rear seats slung between the two axles, already has markedly improved the riding quality of many cars, will be retained in 1936.

The automobile industry has built up its tremendous volume by "giving more and more for less and less" and by changing its models yearly. Even the more radical auto labor unions find no quarrel with the idea of annual models so long



Wide World

**FOR FORD IN FRANCE**—To see how things are done on the River Rouge and to look over new equipment for machining special small Ford V-8 engines at the rate of 75 a day Maurice Dollfuss (center, white suit), managing director of Matford S.A.F. (the Ford-Malthis plant in France) and cousin of the assassinated Austrian dictator, pays a call on Henry Ford (left) at Dearborn. Between them is Paul Iribe, French artist and publisher; at the right, 3 of the 45 French Ford dealers who came over on the *Normandie's* maiden voyage.



## The ABC's of getting the most from your advertising fund

**F**OR several decades, McGraw-Hill has watched the fortunes of business-paper advertising campaigns. We have seen appropriations fail to bring home their quota of results . . . while similar outlays more than paid for themselves. If we were asked to state the three most important rules for getting the most out of an advertising appropriation, we would say:

**A** **CONCENTRATE ON YOUR BEST MARKETS**—Scatteration is the enemy of successful business-paper advertising. Allot the available dollars in the best markets instead of scattering them ineffectively over many fields.

**B** **ELIMINATE WASTE CIRCULATION**—Every publication has some readers who can't influence or dictate the purchase of your product. But the one that includes the fewest of these in its circulation will give you your biggest advertising dollar's worth.

**C** **BUY THE "FIRST PAPER"**—Study after study has shown that the leading paper in each field gives you as much as 85% coverage of the best prospects. And that the second paper (usually doubling the cost) rarely adds more than 10% to the coverage already secured. Better a strong consistent schedule in one paper than a weak irregular schedule in two.

McGraw-Hill has consistently worked to increase the effectiveness of the industrial advertising dollar. By strict adherence to fundamentals, we have achieved a maximum of interested, able-to-buy readers . . . "first paper" coverage of Industry's 12 Major Markets.

McGraw-Hill Publications are members of the Audit Bureau of Circulations, generally known as the A. B. C., whose circulation statements constitute the generally accepted yardstick of value in space buying.

## McGRAW-HILL PUBLICATIONS

McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y.

American Machinist  
Aviation  
Bus Transportation  
Business Week

Chemical & Metallurgical  
Engineering  
Coal Age  
Construction Methods  
Electrical Merchandising

Electrical West  
Electrical World  
Electronics  
Engineering and Mining  
Journal

Engineering News-Record  
Factory Management and  
Maintenance  
Food Industries  
Metal and Mineral Markets

Power  
Product Engineering  
Radio Retailing  
Textile World  
Transit Journal



as it creates more work through sale of a larger number of cars. Individual manufacturers, of course, will alter appearances of fenders, hoods, and other outer parts, such as radiator grilles and lamps, so that John Public, when he buys a 1936 model, still will have the satisfaction of knowing that his neighbors are conscious that he has a new car. On the other hand, car makers are not expected to move much, if any, farther toward streamlining next year. Automotive engineers say that the next radical step in that direction must include transfer of the engine from the front to the rear, and admittedly the public isn't ready for that change. Streamlining as it exists today, then, becomes a matter of styling rather than utility.

#### Prices Likely to Stand

Prices in 1936 seem likely to be near present levels. There is strong reason to believe that production costs will be lower next year than this (larger volume, lower parts and materials prices, removal of government restrictions on working more than an average of 40 hours a week), but any saving may be passed along to the consumer in the form of a bigger car or better quality car rather than in lower list prices. Back in 1933 and part of 1934, car buyers wanted low prices, with quality a distinctly secondary consideration. Now that times are better, the buyer is shopping around more for quality.

There are still people in the industry who believe that the time is ripe for a good-looking car designed mainly for cheap transportation and selling around \$400—a Model T brought up to date. Only the Big 3 have the resources at present to make a go of such a car, and none seems willing to try it. Anyway, it might only upset the used car market, which has been inclined to play high jinks this year.

#### Expect September Announcement

The A.M.A. program specifies new model introductions from Aug. 1 to Nov. 30. The New York show opens Nov. 2. Many companies, anxious to "beat the gun" and get a running start on competitors, will be out sooner. Detroit looks for a parade of announcements from about Sept. 15 to show time.

Detroiters, looking toward 1936, foresee adoption by a leading manufacturer of an alloy steel piston as light as an aluminum one; an aluminum piston substituted for cast iron by one company; more metal parts of cars rust-proofed than in any previous year; wide use of steel spoke wheels in place of wire wheels; possible adoption of an automatic transmission by a company in the lower medium-priced field and of such devices as Hudson's Electric Hand, a Bendix product. There is some sentiment in favor of the rotary-valve instead of the poppet-valve engine, but this seems farther away than next year.



**GETTING CHUMMY**—President Charles R. Gay of the New York Stock Exchange (right), elected on a platform of closer cooperation with the Administration, gets on the job by paying Joseph E. Kennedy, chairman of the Securities and Exchange Commission, a courtesy call at his Washington office. Mr. Gay confessed he had nothing on his mind—not even a question about SEC trading rules.

## Baby Bond Drive

**Treasury goes after savers with a mail campaign.**

POSTMASTER GENERAL FARLEY has been cooperating with Secretary of Treasury Morgenthau to put a little more steam behind the "baby bond" selling campaign through a direct-by-mail campaign. Incidentally he just got it under the wire on the simplified addressing system.

That system, by which mail is delivered to every household on specified urban carrier routes without specifying the addressee except as "Householder," is to be discontinued June 30.

One of the last big mailings under it is a franked circular extolling the merits of United States Savings Bonds, complete with a mail order blank.

Something is needed to liven up the campaign which in the first 3 months brought in only \$78 millions, of which \$38 millions was a product of the initial burst of enthusiasm in March. It is understood that the money is coming from the better-to-do, to whom the 2.9% yield is attractive, rather than from the modest saver whom the Treasury hoped to reach.

## Postage Headache

**Business seeks 2c. rate for all city mail to end confusion.**

CONGRESS may cure that headache that mailing departments in multi-post office towns have incurred from trying to keep straight on where 2c will carry a letter and where 3c is needed.

Business interests in New York have

carried the fight for simplification to Washington because the New York situation is the worst. When the 5 boroughs were consolidated into corporate New York City, 7 independent post offices were included within the city limits. Mail from one office to another is no local under postal regulations and requires 3c just as though it were going out of town.

Los Angeles has a similar situation. Chicago has a variation that adds its own peculiar complications because mail reaches some suburbs for 2c, others for 3c.

The "postage due" notice on improperly stamped direct advertising kills its pull. Firms with big mailing lists would like to pay the equivalent toward government upkeep some other way. Their petitions seek to bring all deliveries within a single city under the 2c rate.

## "Smugglers"

"IMPORTATIONS" of liquor in duty-free \$100 lots by travelers have grown until the stimulant industries claim it to be a legitimized form of smuggling. At first the Treasury allowed untaxed entry of but 1 quart. There were bibulous cheers in February when the Customs Court hiked the maximum to \$100 putting it on a footing with less hilarious merchandise (BW—Mar 23 '35). Now West Indian merchants prepare special \$100 bundles for tourists. Cars shuttle across the Canadian border, many bringing in untaxed wet goods for sale in this country. Estimates value the influx at \$2 millions a month. The National Association of Retail Package Stores and its allies wants Congress to re-establish the 1-quart limit.

## New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE Hercules portable, high-frequency electric handtool, announced by the Buckeye Portable Tool Co. for high-speed production work, is 15 in. long, weighs 7½ lb. Used as a screw driver, it handles screws up to No. 13. With a socket attachment it serves for rapid tightening of nuts on bolts up to ½ in. in size.

FOR treating snake bites E. D. Bullard Co. offers the Venex snake bite pocket pack. Its water- and weather-proof case contains a suction device for drawing the venom and blood out of the wound, a tourniquet, other needed accessories, and full instructions. It fits into pocket or bag and sells at a popular price.

BEEF'N VEGETABLE DINNER is John Morrell & Company's answer to the housewife's prayer for relief from housework. It's a complete meal for 4 persons packed in a 30-oz. can and contains roast beef, gravy, potatoes, carrots, and tomatoes that need only heating to be ready for the table.

THE new line of Patrician door locks and fittings, offered by Lockwood Hardware Mfg. Co., has knobs made of molded plastic in a variety of solid colors so that an interior decorative color scheme can include matched door knobs.

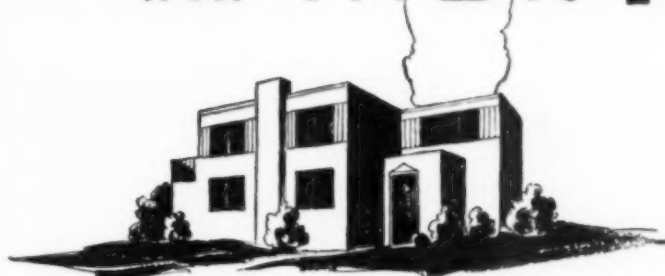
FOR quick detection of loose elements or leakages in radio tubes, the Southwestern Instrument Corp. offers the Vibrotest. It is advertised to handle over 200 different types of tubes, tests separately for quality, emission, leakage, etc., comes in 2 models—portable for service use and in a dressed-up case for the counter.

THE Temp-urd Wood process developed by Pyratone Products Corp. provides for the impregnation of wood with a synthetic resin and is claimed to result in high resistance to moisture, abrasion, chipping or splitting, while improving flexibility and resiliency. Golf club heads, baseball bats, airplane parts, etc., so treated will take any other lacquer or varnish finish or, when given a coat of the material itself, will have a transparent, glossy, long-lasting finish.

THE new Study-Desk lamp, announced by Farics Mfg. Co., fastens to desk or table with a removable clamp, swings in any position, can be adjusted for height or distance, has a special diffusing glass bowl, a conveniently-located control switch, and a 12-foot extension cord.

## FLAT-ROOFED RESIDENCES

WIN\* . . . 2 TO 1



\*General Electric—Architectural Forum Contest

One of the most significant trends in the residence-building field today is the result of the recent contest by General Electric Co. and the Architectural Forum for the best and soundest designs for the modern small home. Every person who plans to build a home; every company interested in home-building; every insurance company with funds invested in the residence market will find this of dollars-and-cents interest.

Over 2,000 complete plans were submitted; 100 were published; 66 of the 100 had flat roofs and one had a combination of flat and pitched roof. This indicates great progress by the "modern" school and it will assuredly mean many changes in building materials.

### EVERY FLAT-ROOFED BUILDING SHOULD HAVE A PITCH-AND-FELT ROOF

These roofs will have to be built of coal tar pitch and tarred felt, if they are to give complete satisfaction on flat decks. The recent experiences of businessmen with flat-roofed industrial buildings prove conclusively that coal-tar pitch roofs give long years of service on flat decks with practically no maintenance. We will be glad to send you our literature on Koppers Coal Tar Pitch and Tar Saturated Felt.



Roof of coal tar pitch and felt on Rhode Island textile mill. Applied in 1916.

**KOPPERS PRODUCTS COMPANY**  
KOPPERS BUILDING • PITTSBURGH, PA.

Tarmac Road Materials . . . Wood Preservatives . . . Roofing  
Pitches . . . Roofing Felts . . . Waterproofing . . . Industrial Pitch  
... Crude and Refined Tars . . . Tar Base Coatings . . . Tar Base  
Paints . . . Pitch Coke . . . Tar Acids . . . Benzol . . . Naphthalene  
... Agricultural Products.

**KOPPERS**  
**PRODUCTS**  
**PROTECT**

# Relief Knocks at the City Gates

**Local governments have weathered the depression debt storm remarkably well, as their bond rates show, but Washington's shift in the relief burden confronts some of them with fresh troubles.**

THERE is no peace for the finance officials of the 200,000 state and local governments that make up the United States. All but 3,000-odd of the various government bodies staved off the wolf of municipal bankruptcy through the long years of dwindling revenues and taxpayers' strikes, but those that thought him routed have found him sneaking back as the mascot of a hungry beggar named "Unemployment Relief."

The problem of rising relief costs and the prospects of having "unemployables" from the federal relief rolls thrown back upon local charity sent 44 state legislatures in session this year on the greatest treasury hunt in history. Most of them have come back with new and bigger taxes (mostly levies on sales, a few on incomes). Local governments will get some of the proceeds, but will have more difficulty in increasing their independent revenues that still come primarily from real estate, which can stand no more taxes.

## Must Borrow Again

States and local governments will, if they can, continue to borrow for relief. It is this borrowing for non-capital purposes that again threatens to cloud public credit just after it has been strengthened by its depression record. States borrowed \$147 millions last year for relief, counties \$30 millions, and municipalities another \$43 millions. This total of \$220 millions was \$23 millions greater than in the previous year. That meant that \$13 out of every \$100 raised through bond issues went for non-productive purposes, had no schools or waterworks to show for it.

Division of relief between federal and local governments on the basis of employables and unemployables is not expected to shift the aggregates. Washington will take care of about the same proportion. However, it will be a different story for some of the states that have been leaning most heavily upon federal aid. All state and local governments together paid 27.7% of the 1934 bill, Washington the rest. But federal funds took care of 99.9% of the relief in Louisiana, 97.9% in Florida. In the states with biggest bills local funds took care of a better proportion; for example, New York 44.5%, Illinois 32.4%, and Pennsylvania 27.7%—the national average. Some of the smaller states carried half the burden, should actually shed some if others that imposed upon federal generosity take up their load.

When the statisticians carry a hypothetical redistribution of relief down to individual cities and smaller units they discover instances where additional debt to cover it gets dangerously close to statutory limits or the equally restricting maximums imposed by calculating municipal bond buyers. There are instances where it will be difficult to finance public works projects even under the liberal provisions through which Washington makes 45% of the cost a gratuity.

## Detroit's Problem

An unfortunate example is Detroit. It has just finished a financial rehabilitation that restored its credit to A rating, but cannot borrow additionally because it is already over the debt limit. It has heavy unemployment and plans for a \$25-million garbage disposal plant to provide relief work. The project could not be completed in the 12-month limit placed on federal work relief projects, hence cannot be done with federal funds.

Provisions for Detroit and others in similar difficulty must be made with different technique. Washington may find

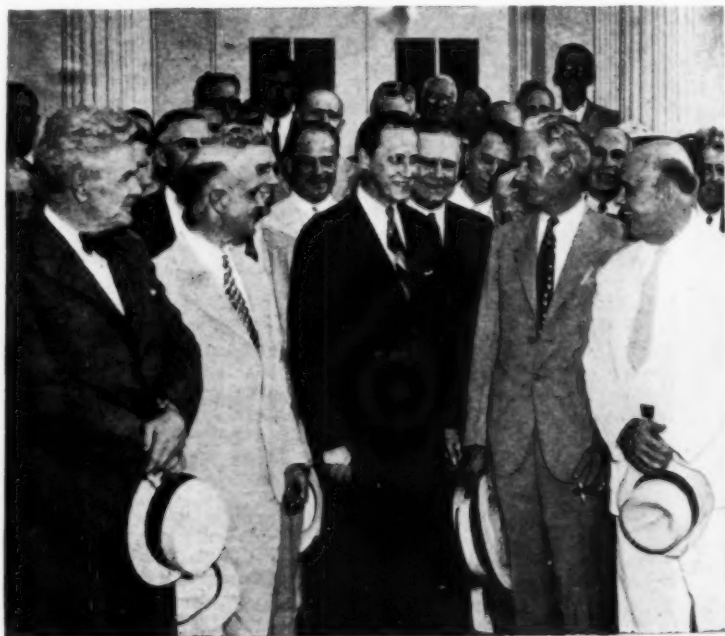
they need post offices, federal buildings or other improvements that can go entirely into the federal budget.

Were it not for relief, the main financial problem of local governments would be behind them. Treasurers of many of them found use for black ink in balancing accounts for the last year, the first time since 1931 and 1932 in some instances. Receipts have picked up, ordinary expenditures have been cut. Dun & Bradstreet's annual survey of tax collections in cities of 50,000 and over disclosed delinquencies down, payments better, the first upward slant since 1930. J. L. Jacobs & Co., consultants on public finance, say budgets for 1935 in 18 major cities would be only 85% as large as in 1931 were relief costs excluded.

## Only 1% Past Due

The record of debt defaults still reads dismally, but principally because the count is just now reaching completion. The best figures come from *Bond Buyer*, which figures that 3,067 counties, municipalities, and special districts have skipped payment on some debt service. One-third of these are villages of less than 5,000, almost another third are improvement districts, and their total debt makes up about 10% of the amount owed by states and lesser governments. That part of principal and interest actually past due is estimated at less than \$200 millions, hardly 1% of the total obligations outstanding against the states and their subdivisions.

Among the 44 larger units that de-



**READY FOR WORK (RELIEF)**—As a wind-up to his series of conferences with state directors of the \$4-billion relief drive, Harry Hopkins (center, dark suit) takes his 48 lieutenants to the White House where they hear the President optimistically prophesy that private industry will take up the unemployment slack before their work is finished, urge them to get dirt flying in 6 months.



faulted at one time or another 13 have cured their defaults, 19 others are over the hump. Arkansas, the one state that suspended payments, has readjusted its difficulty as has Detroit, the most important municipality on the list (BW—Oct 13 '34). Cook County, Illinois, is now tackling its problem with the assistance of a new refunding law and, upon completion of that job, one of the worst situations will be out of the way. For the County and its Forest Preserve District a refinancing program is on foot that will clear up past due obligations and spread heavy maturities of the next 6 years over a 20-year period. Further legislation is needed to clear up the debt situation of the Chicago park districts, where 19 of the 22 old districts that are being consolidated into 1 have defaults and old bills amounting to \$8 millions. A refunding awaits only enabling legislation and possibly a court test of its validity.

#### New Jersey Comeback

New Jersey cities which were snowed under by floating debt when the depression hit tax receipts, are coming out of their troubles rapidly. Jersey City has practically attained a cash basis. A recent funding of floating debt went so well that a plan to convert \$5 millions finally took care of almost \$10 millions, leaving less than \$3 millions which will come off in due course.

Municipal borrowers that have preserved or regained respect in financial markets find funds readily available and at near-record low rates. (Comparable rates may have prevailed for prime names late in the '90s when there was an earlier easy-money period.) When the market hit its recent high 3 months ago, one index of 20 long-term bonds showed an average yield of 3.30%, another of slightly different composition reached a 2.95% basis. Back in 1933 when bankruptcy threatened to engulf great numbers of the local governments, and money was not so anxious to find lodgment anyway, these same bonds sold down to where yields were 5% and better. New York city bonds sold to yield more than 6% in May, 1933.

#### Missouri Tries a Coup

With the betterment in their market, municipalities have gotten away from emergency short-term financing that was itself a source of constant embarrassment, can once again spread maturities, although many find it desirable to use some temporary loans because the money can be borrowed so cheaply. More and more they are following the lead of corporations in replacing high-coupon bonds through refunding at lower rates. The state of Missouri has gone so far as to attempt refunding for bonds that contain no call provision, but seems unlikely to get away with it. St. Louis failed to sell bonds recently on account of this move but Kansas City, which also

## Business Opportunity

A concern building a semi-heavy line of machinery is looking for additional machines to add to its line of manufacture.

Will consider outright purchase for cash, or the manufacture and sale, on a royalty basis, of any machine which has demonstrated its value and which will fit in with present method of manufacture. BO-218, Business Week, 330 W. 42d St., New York City.

### A New Chart of E. & M. J. Metal Prices

Published by  
ENGINEERING & MINING JOURNAL

The standard authority

Copper, Lead, Zinc, Tin, Silver

Price Curves since 1897

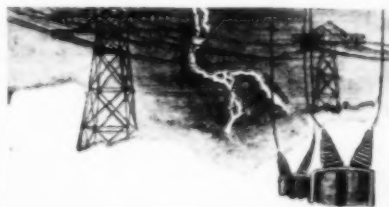
Monthly prices since 1920

Daily prices for 1934

World Production for past 50 years  
World Production by Countries for past 5 years

Price \$1.00

Order this authoritative chart now  
ENGINEERING & MINING JOURNAL  
330 West 42nd Street  
New York, N. Y.



### They Wanted a Metal That Could Laugh at Lightning

A new method of arc extinction in giant circuit breakers had presented the need of a suitable metal for the large contacts that open and close the circuits—a metal that could laugh at the searing impact of a lightning surge.

Mallory metallurgists after a careful study of the requirements provided that metal.

The solution of this unusual metallurgical problem is indicative of the wide scope of Mallory engineering resources and facilities in this specialized field.

P. R. MALLORY & CO., Inc.  
INDIANAPOLIS INDIANA

Cable Address Palmallo



© P. R. M. Co.

### Supply the BRITISH and EMPIRE MARKETS

from a branch factory in

LANCASHIRE  
BRITAIN'S LEADING  
INDUSTRIAL CENTRE

Interested American Concerns are cordially invited to communicate in confidence with:

J. BENNETT STOREY, Gen. Mgr.  
THE LANCASHIRE INDUSTRIAL  
DEVELOPMENT COUNCIL  
Ship Canal House, King Street, Manchester 2  
or the Travel and Industrial Development  
Association of Great Britain &  
Ireland, 1 Pall Mall East, London, S.W.1.  
28 Avenue des Champs Elysees, Paris, and  
British Empire Building, Rockefeller Center,  
New York.

### They need not ask

How difficult for dependents of an employee who has died, if they must ask for financial assistance.

### GROUP INSURANCE

does away with such situations. The employer delivers a helpful sum and no one is embarrassed.

Any Employer  
is invited to write



THE PRUDENTIAL  
INSURANCE COMPANY  
OF AMERICA

EDWARD D. DUFFIELD, President  
HOME OFFICE: NEWARK, N. J.

had some financing on the fire, assured bankers it would not try to use the extraordinary powers which the Attorney-General thinks will permit such action on all state and local bonds.

## Hopkins' New CWA

**That's what work-relief program adds up to. He'll pay wages, but states and cities may buy materials.**

A NEW Civil Works Administration, but planned a little more carefully and producing a little more tangible result—that's what the work-relief program will be under Harry Hopkins' direction. President Roosevelt is on his side, and against Secretary Ickes' preference for permanent public works.

"We have to divide 3,500,000 men into \$4 billions," said the President, talking this week to the 48 state directors, who had come to Washington to get their orders from Hopkins. So the average cost of the projects will be between \$1,100 and \$1,200 for each man employed. (For special reasons, the average cost on highway projects will be \$1,400.)

Hopkins says his objective is to re-employ 3,500,000 people, "not to provide secondary employment in industry." To see what his program means to the durable-goods industries, consider these facts:

Material orders placed under Ickes' PWA program from its beginning in August, 1933, through April 15 of this year, totaled \$800 millions. Direct employment on PWA reached a peak of 675,000 in July, 1934, and now is 275,000. Material orders placed by Hopkins' FERA during the approximately comparable period covering the CWA program (Nov. 15, 1933, to Mar. 31, 1934) and during the subsequent emergency work program through March, 1935, totaled \$210 mil-

lions. FERA furnished direct employment to 4 million men for 18 weeks during the CWA adventure, and to 2.5 million since then.

But there is one hope for the durable-goods industries; that is to get their materials bought by other agencies than the federal government. The U. S. is out to pay wages; the state or municipality or other sponsor of the job is expected to provide as much equipment and materials as possible. Ickes professes not to be downhearted. He claims he can do public works at a cost of \$959 per man by a 45% grant, if the local bodies borrow the remaining 55% from banks.

## Color Film Flurry

**Movie industry wonders if full-tinted *Becky Sharp* will drive producers off black and white as the *Jazz Singer* drove them from the silents.**

THE cinema is suffering one of its recurrent fits of chills and fever over the new *Becky Sharp* picture. *Becky* is in full color. This dizzy industry had settled to some degree of stability on a silent picture basis when along came the *Jazz Singer* (1927) to create a revolution by introducing sound. Now that sound has been mastered, the question is whether *Becky Sharp* will stampede producers to the new medium.

New York reviewers indicated an important future for color. Consensus was that the film's coloration was magnificent though the story wasn't so hot. One trouble (which should wear off) is that the novelty distracts attention from the plot. Directors are likely to go for the technique in a big way. It furnishes a new method for expressing moods as well as objects. It will even record a blush—achieved with a crimson light

since Hollywood blasé beauties cannot be relied on to provide their own.

*Becky Sharp* was produced by Pioneer Pictures which is principally John Hay Whitney, young international horseman, heir to one of America's greatest fortunes, interested in Technicolor. It cost about \$1 million and was a full length follow-up of last year's successful colored short, *La Cucaracha* (the cockroach) produced by the same company.

### From 2 Colors to 3

Technical credit for the film goes to Technicolor. With a 2-color process (red and green) this company enjoyed a short boom in 1927. But the color range was too narrow, there was a tendency to blur, too much work was attempted with inadequate equipment. Technicolor slanted off into an era of deficits. Undaunted it continued experimentation.

By 1932 a 3-color process (giving full red, blues, greens, and all hues between) was perfected. This was at the deep of the depression. Most producers were leery of the expense. But Walt Disney adopted it for his *Silly Symphonies*, including those 3 immortal pigs. For his courage Mr. Disney was given exclusive use of the process for moving cartoons. There followed such a clamor from other animated cartoonists that Mr. Disney allowed them to come in on color also.

Meantime, Technicolor had to rely on such tinted drolleries and on travel shorts for income. It was shooting at 8,000-foot features and now hopes that



HER NAME'S FRANKLIN D. ROOSEVELT—That's what they call the federal boat, shown here behind one of the several barges she pushed on the first trip of the new service on the Missouri River between St. Louis and Kansas City. After a lapse of 20 years, this water service for freight was recently resumed.

Becky Sharp will open the market. Principal objection is expense. Against Becky's pioneering cost of \$1 million are current black-and-white costs of \$500,000 and under. Extraordinary items are 3 (primary color) negatives against the usual one; rent from Technicolor of special cameras, cameramen, color experts who will now be in great demand; new values in actor makeup and scene tinting. Prints cost 5½¢ a foot vs. 2¢ for black and white. Volume should reduce this. Overall costs for color should be about 30% above ordinary films.

Great excitement already has developed in the color field. Paramount and Eastman are rushing research on a new method and Dufaycolor (French) is active. It oughtn't to be long before suits over patents and sale of phony stocks begin.

## Postal Takes 77-B

**Communications company decides to reorganize and market approves the move.**

ONE of the biggest jobs yet broke for 77-B last week when Postal Telegraph limped into court and explained that bond interest due July 1 would be deferred, that prospects for hobbling along under a capitalization and funded debt of about \$100 millions were not too bright, and that reorganization would have to be the answer.

The move was no great surprise. The big communications company, formed in 1928 to assemble the Mackay Com-

panies under one roof, and since that time a protégé of International Telephone & Telegraph, has been having hard sledding. Last year was the fourth in succession in which fixed charges were not earned.

International Telephone was placed in a curious position by the decision of Postal to file for reorganization. International, which has never received any return on its ownership of the entire common stock of Postal, has been helping the latter out on interest dates for the last 2 years until loans reached a total of \$2.2 millions, but evidently the larger company began to feel that it was a lost cause. Now International is not only freed from the necessity of further advances to meet Postal's interest payments, but is also able to get out from under the deficits that have been pester-ing the parent's income account.

On the other hand, International has approximately a \$27-million investment in Postal securities showing in its balance sheet, and there is only \$6 millions in the reserve for revaluation of assets. Hence International is going to take a moderate licking on its balance sheet in order to brighten up its income account.

The financial trade's opinion of the move was quite apparent. Securities of both companies advanced upon the news. Reorganization of Postal was looked upon as a logical step and one that will mean preservation, rather than gradual diminution, of assets. At the same time, International, at the expense of a balance sheet write-off, will improve its income account and hold a better position as an equity creditor than it would have under old bankruptcy laws.

## Radio News War

**Chains dicker with United Press for news broadcasts; defendants file replies in Transradio suit.**

WITH charges of rate-cutting, bribery, and intimidation filling the air, the round robin fight over news broadcasting (BLW—May 25 '35) is assuming the proportions of a good and gory war. Most curious fact about the battle is that all combatants claim to be winning—all, that is, except the American Newspaper Publishers Association's official Press-Radio Bureau, whose 5-minute twice-a-day broadcasts are being ditched by independent stations.

The prospect that the bureau may fold up altogether is not remote, for, after a month of dickering both NBC and CBS, the bureau's major clients, are about ready to sign on the dotted line for United Press service.

### Can Get Around Treaty

Theoretically both chains are bound by an agreement to use only the official Press-Radio releases, and theoretically they can and will abide by that agreement as long as the A.N.P.A. thinks it worth while to preserve at considerable financial loss the appearance of a press-radio truce. Actually here's how the chains can get around it: NBC owns 13 stations outright; CBS owns 7. Nothing can prevent these stations from signing individual contracts with U.P. for broadcasts which would not be carried on the chains' leased wires. Affiliated stations may consider it wise to follow suit.

U.P. has signed a total of 26 stations, including the 8-station Michigan Network. In addition, U.P. has contracted with the H. C. Bernsten Agency of Los Angeles to supply news for the nightly Richfield (gasoline) Reporter program, broadcast over the 6-station NBC Pacific Coast network.

### General Mills on I.N.S.

Hearst's International News Service which now has signed a total of 21 stations has been able to offer 5 of its clients an advertising sponsor for the news broadcasts, by virtue of a contract which it has completed with General Mills. It is rumored that the sponsor may contract for other I.N.S. stations later in the summer if the programs prove successful.

Despite the inroads of I.N.S. and U.P. on its client list, Manager Herb Moore says Transradio is still plugging along with 200-odd stations, having filled in the gaps with little trouble. This week Transradio is extending its leased wire service from Richmond down to Macon in the area where it has made the greatest recent gains.

Meanwhile, all 3 are wondering just what will come of the \$1.1-million suit instituted by Transradio against NBC, CBS, the A.N.P.A., U.P., A.P., and



Business Week

**FRISCO FARE**—First in the West to introduce day coaches with quick lunch facilities, Frisco Railway proudly exhibits its 5 new "snack" cars to customers in the Ozark area. Passengers are seated at both ends of the coach, the semi-circular food counter is in the center. No extra fare is exacted.



I.N.S., charging conspiracy to establish a monopoly. Defendants have until June 24 to file replies. Broadcasting and publishing interests still believe the case, which presumably is holding up the U.P. chain deal, will be settled out of court.

## Tubize to Brazil

**Equipment goes where high tariff and cheap labor will make more expensive method pay.**

AN American rayon plant is moving to Brazil.

The Tubize Chatillon Corp., which until last year manufactured rayon by the nitrocellulose process at Hopewell, Va., is moving the entire equipment of its plant to São Paulo, Brazil, where a new company—60% controlled by Brazilians, 40% by Tubize—will be established. Chief competition will come from a Brazilian company now in operation which has practically a monopoly

on the domestic market, sells its output at prices almost as high as for silk.

Contrary to popular opinion, Tubize is not leaving the United States because of labor troubles. When a strike closed the plant nearly a year ago, it merely precipitated something that had been anticipated.

The nitrocellulose method of producing rayon is one of the oldest and the most expensive. Viscose producers have been able to cut costs enormously. Tubize made money on its Hopewell plant during the first half of last year when rayon prices were up. Officials admit frankly that they probably could not have operated at a profit during the second half of the year when rayon prices slumped. Producers by the cheaper viscose method have a wider margin of profit.

In Brazil, however, the domestic rayon market is protected by a very high tariff. Also, labor costs only 6¢ an hour, compared with a minimum here of 32½¢. It should be possible to produce in Brazil at a good profit even against the competition from the viscose producer.



**ANTHRACITE CZAR**—Taking a tip from the baseball and moving picture industries, anthracite operators have agreed on a supreme arbiter of their industry's difficulties. Their choice, Charles F. Huber, chairman of the board of Glen Alden Coal Co., will have more than the temperament of prima donnas and left-handers to worry about; coal bootlegging, threatening labor conditions, and unfair trade practices confront him.

## Mexico's Revolt

**With 8,000 Rotarian witnesses in the capital, Mexico stages a "revolution"—which amounts to nothing more than a shift in the cabinet.**

FORTY Pullman trains and at least half a dozen ships brought 8,000 world Rotarians to Mexico City this week for the 26th annual convention of Rotary International.

Never before has the Mexican capital had so many visitors at one time. To accommodate them, Mexicans created a "Pullman City." More than 3,800 Rotarians are sleeping in Pullman cars which stand in a vast, landscaped area in the capital flanked by 110 bungalows equipped as bath-houses, rest-rooms, barber shops, and beauty parlors, and an improvised restaurant a block long. Ten asphalted streets cut through Pullman City. Only guests with passes can enter the walled-in area.

### Revolution on Program

Though the Rotarians were scheduled to see a bull fight and a pageant of the history of Mexico, and to pay a visit to Cuernavaca (made famous by the Morrows and Diego Rivera), there was no mention of a revolution. Actually, that became the No. 1 event and almost stole the show from the Rotarians. At least 4,500 visitors from the United States discovered that revolutions can be quite unexciting, that even business in the capital often goes on undisturbed. That is the kind of revolution the Rotarians saw last week. They read about it in the special English editions of the

Mexico City newspapers. They saw little that was any more unusual than they had expected in a strange city. And there was no shooting.

Mexico has a comparatively new President—Cardenas. All Mexico, and the better informed abroad, knew at the time he was "elected" that he was a Calles man. Calles is Mexico's "iron man." He has remained virtual dictator in Mexico ever since he was President.

In the last year, Mexico has had a good deal of trouble with labor. Several members of the Cardenas cabinet had been accused of supporting labor in its "extreme" demands. Cardenas, a known liberal but not a radical, has been forced to take much of the blame.

While Mexico is determined to wrest from foreign control some of the natural resources which it is claimed were leased or sold by previous temporary governments who lacked the authority to make such deals, Mexico is reluctant to allow labor to go too far in its demands on companies which are operating strictly within the limits of Mexican law and on grants which cannot be questioned. Mexico still needs foreign capital.

Last week's revolution was staged. If Cardenas had openly taken issue with the 2 or 3 radicals in his cabinet, it might have caused a revolution, for extremists would have opposed such a

pointed move against their leaders. Calles' demand for prompt settlement of the strike situation virtually called for the resignation of the entire cabinet. This left Cardenas free to include only the members he wanted in the new cabinet.

### Good Propaganda

Due soon, the situation was brought to a head while there were 8,000 foreign guests in the city who could see that what is so often called a revolution may be just a change in government. The only demonstrations were orderly parades. Guests were not only reassured they are likely to report favorably on Mexico to friends at home whom Mexico considers potential tourists in another year or two. Also, a change of government in Mexico witnessed by so many foreigners cannot possibly be reported abroad with any exaggeration. Mexico is particularly eager just now to prove that it has passed the stage in its development when changes in government are bound to be accompanied by disorder.

The few who took the time to check up on the new Cardenas cabinet were impressed. It is representative of the best in "new Mexico"; it is comparatively a young crowd; it is liberal, without being radical. It is expected to back a program which both capital and labor can support.

# Business Abroad

**Industries in all European countries benefit from rearmament orders. Britain allows Germany a navy. France sees franc safe until October. Russia places foreign orders on a cash basis. Japan's "conquest" of North China goes uncontested. Ontario government bucks domination by financial "interests" with bold plan.**

No SHRED of doubt can be left in anyone's mind this week that the Versailles treaty is dead. Germany is going ahead with a navy, and with the full consent of the British. The French have protested, but that is only a formality. France tied up with Russia not long ago, and Britain raised a similar protest. They are nothing but whitewash. Japan is going much further than making new agreements contrary to the stipulations in old treaties, and the protests from foreign countries are just about as serious as the protest from Paris this week.

## War Industries Booming

If the war scare is gone for the moment in Europe, there is no sign of it in airplane or munitions plants. Stock prices for all shares of companies which are, or might soon be, manufacturing for government order are rising. In Britain, higher profits are already evident. Airplane companies have already announced increased dividends. New issues by several have been eagerly absorbed by the public. Chemical shares are selling well in all markets. So are shares of the heavy industries known to be busy on government account.

The gold bloc flurry has passed for the moment, but there are still signs of trouble. France expects no further serious trouble until fall, but the bank rate is not likely to be reduced for another 2 weeks. Switzerland has been forced to grant a partial moratorium for one of the largest commercial banks because it is no longer sufficiently liquid to meet the steady drain of withdrawals. Investments are tied up in Germany, or in mortgages which cannot be readily turned into cash. Devaluation ultimately is inevitable for the gold group.

Of world markets, greatest interest centers in Africa and Latin America. Europe is concentrating on its various colonies in Africa as other foreign markets remain restricted or closed. Japan is enlarging its economic empire in populous China. The United States is turning to Latin America (page 11). Cuba, Mexico, Argentina, Brazil, Chile, and Colombia are all proving to be much better markets than a year ago.

## France

**Financial crisis is probably postponed until fall. Bank rate expected to drop in another 2 weeks. Ultimate devaluation is inevitable.**

PARIS (Wireless)—The storm over the gold bloc is disappearing. France is quiet again this week, though there is

some uncertainty still because the government has as yet offered no proposals for financial reform. The Bourse is quiet. No new activity is expected until Parliament adjourns and the cabinet announces its new program.

Everybody in France hopes that Mr. Laval will effectively take the economy measures needed to meet the serious financial situation, and there is no doubt that something will be done. That economies which any government can make will exceed 3 billion francs is very questionable. With the budget deficit already near the 6½ billion franc point, with the railroads running up another 4½ billions, this cannot save the situation more than temporarily.

## Democracy's Last Stand

Laval has explained himself that he wanted to try an experiment. It is generally admitted in Paris that this will be the last experiment before the government is turned over to some kind of a strong dictatorial cabinet, or before devaluation of the franc, or both. Nothing of this sort is likely to happen before October, but unless much more has been accomplished during the summer than is generally expected, it is likely that there will be another crisis in the fall.

It is expected that the Bank of France will probably not reduce its discount rate from the present emergency high of 6% for another 2 weeks. Object is to keep the rates up long enough to ruin speculators against the franc but to reduce them soon enough to enable business to work again under normal conditions.

## Why Paris Will Devalue

There are 2 reasons to justify ultimate devaluation of the franc. By reducing the gold value of the franc, it might be hoped to reduce the gold value cost of living in France, and thus to cut industrial costs. Due to the fact that prices have dropped very considerably in France in the last 2 or 3 years, present price levels are probably not more than 5% to 7% higher than in Britain. However, unlike the situation in Belgium, where practically all raw materials are purchased abroad and thus raised in terms of the national currency in time of devaluation, it should not be forgotten that practically all the foodstuffs necessary to French living are produced at home and would therefore

hardly be affected by franc devaluation. Major business gain, therefore, is in the travel business—tremendously important to the French. If France can once more attract the flow of tourists which poured into the country in 1926 and 1927, their expenditures within the country would do much to balance France's trade.

The main reason which, in the opinion of all might, and probably will, lead to devaluation is the impossibility of balancing the budget. Devaluation would help in 2 important ways: (1) it would give the Treasury an immediate profit; (2) with the inevitable rise in prices, government tax revenues would rise, while debt service—a fixed liability—would remain virtually where it is. It might be added that in view of the enormous return flow of funds after devaluation, the rate of interest on public and private debentures would immediately drop, conversion of the public debt and railroad bonds would take place, and Treasury obligations would be greatly reduced.

## Great Britain

**Business gets boost from new armament activity. Share prices are up. Observers admit Chinese market is going to Japanese.**

LONDON (Cable)—Business is increasingly active in England, and there is a strong feeling that recent progress will continue. Government financial backing for the \$175 million electrification program in the London area is taken as an indication that the old attitude toward public works is weakening. Spending—for the Jubilee, for rearming, for rationalizing industries—has brought the present revival. If the government will undertake a few works similar to the electrification scheme, business is bound to benefit from the increased spending power of reemployed workmen.

## Business Is Good

Industrial securities are booming. The tone of the whole market is good.

Earnings records continue to encourage investment. General Electric stands out in recent reports, with profits exceeding £1.2 millions, against £97,000 a year ago. Hawker Aircraft jumped its dividend from 15% to 20%.

New issues continue to flow to market, and the investing public is responding wholeheartedly. Municipalities are refunding at new low rates, and airplane manufacturers are after new money for expansion.

Financial London views the situation in North China hopelessly. Japan is thought to be firmly in the saddle, with small chance for the British or any other foreign operators to continue in that market. Even the old markets in the Yangtze Valley may not hold out long against the invasion of cheap Japanese goods, cleverly merchandised by people who live near enough the China market to understand its inability to buy expensive goods, its vast capacity to absorb cheap products.

## Germany

### Business is slack. Potash cartel wins cooperation from Spain, fears future Russian competition.

BERLIN (Wireless)—There is little optimism among Berlin business men this week. Most disturbing factor is the collection of the first instalment on the "contribution" to the export subsidy fund (*BIW*—Jun15'35). Exports are still declining, but the forced contraction of imports has made possible a favorable trade balance for May. For the first 5 months of the year, however, imports are far greater than exports.

First quarter business returns from representative corporations have been released by the government statistical bureau, and—with last year's earnings—give a good picture of the domestic situation:

	(millions of marks)		
Gross Earnings	1934	1933	1932
Siemens .....	119	82	108
AEG (German General Electric) .....	107	71	79
Opel .....	83	48	26
Zeiss-Ikon .....	15	12	13
I. G. Farbenindustrie .....	565	491	476
Continental Rubber Co. ....	61	47	41
Production (1928=100)	1935	1934	
Industrial Production .....	87.4	84.2	
Pig iron .....	100.2	65.1	
Coal .....	82.5	78.4	
Automobiles (passenger cars) .....	144.6	69.9	
Building .....	84.2	64.9	
Textiles .....	92.9	103.4	
Unemployed .....	2,350,000	2,789,000	
Carloadings .....	117,200	115,100	

The German potash industry is running into increasing trouble from competitors. Before the War, Germany enjoyed a world monopoly. The Versailles treaty put an end to it by transferring to France the rich Alsatian potash mines. A period of ruinous competition and of overexpansion on both sides of the new frontier ensued. Producers in the 2 countries put an end to this price competition in 1926 by dividing world markets on a 7 to 3 basis.

#### Spanish Potash Is Cheap

Recently, the young potash industries in the United States, Spain, and Russia have proved to be a most serious challenge to the decaying Franco-German monopoly. While the American and Russian industries will probably be busy for years supplying the domestic markets, Spain has proved to be a formidable factor in international competition. An agreement with the Spanish potash mines, which are situated close to the sea and equipped with the most modern machinery, has finally been arranged. Spanish producers were reluctant to accept a fixed quota when they were so well situated to increase their market, but have finally agreed to market their product through the Franco-German

sales organization and to accept a 15% quota. This agreement was secured largely, no doubt, because French interests control the Spanish mines.

In Germany, the stock market reacted on this news by a sharp price rise in potash shares. However, informed opinion considers this optimism premature since the growing competition of Russia and other smaller producers still looms in the background, and an agreement ultimately with these countries is likely to necessitate heavy new sacrifices on the part of the German industry.

## Soviet Union

### Automobile and road construction engineers leave for United States to survey latest production methods, newest machinery. Orders are likely to be placed on a cash basis.

Moscow (Cable)—Transportation remains Russia's greatest stumbling block. Railroads have consistently failed to carry the burdens imposed on them by Russia's new industries and the need to move vast quantities of coal to centers of the iron and steel industry, or wheat from the Ukraine to the populous regions of the north, or cotton from southeastern Asia to the textile mills in the Moscow-Leningrad area.

Indicative of the seriousness of the situation, Soviet officials decreed this week that freight is to be given preference over passenger traffic for the immediate future, and until perishable goods can be transported to markets or to refrigerated warehouses, or adequate quantities of raw materials can be supplied to industries.

#### Russia Will Motorize

A renewed drive is also to be made on the development of other means of transport. With a part of the \$104-million loan secured in Czechoslovakia a few weeks ago, the Soviets are going to buy some modern equipment for the railroads. It won't go far, but it will help at strategic points.

At the same time, there is a new drive to build automobile roads in the more populous regions of European Russia, and to get a quick supply of trucks and buses. A delegation is already on the way to the United States to study methods of road construction and the handling of automobile traffic. From the Ford plant at Gorki, a group has been chosen and has already departed to the United States to study the newest methods of producing cars at greater speed. And the director of the Stalin Auto plant in Moscow is leaving soon to study new technique in truck production.

In keeping with Russia's new policy, these delegations are expected to offer cash for any equipment they purchase, demanding in return liberal discounts on the usual quotations. Russia expects to have cash in hand for most new business as a result of the tremendous gains in gold output in the last 18 months (*BIW*—Jun15'35). It is expected that a good many orders will be placed in the United States.



### TO INVALIDATE VERSAILLES—

Herr von Ribbentrop, Hitler's Ambassador Extraordinary and Plenipotentiary, arrives at Croydon airdrome to begin the discussions with Sir Samuel Hoare, Britain's new Foreign Secretary, which culminated this week in the surprise announcement of a new bilateral agreement approving a German navy 35% of British strength, 45% in the submarine classification. Diplomatic negotiations may temper French, Russian, and Italian indignation; they cannot alter the fact that the Versailles treaty is dead.

The extent of the new construction is evident from the announcement just released to the Moscow press that a new ball-bearing plant is to be built at Saratov, on the Volga, and that construction will begin within a month. Officials declare that output will be double the production of the present factory in Moscow, which employs 16,000 workers.

## Canada

### "Fighting premier" of Ontario wins another battle in his war on "vested interests." Bennett pushes grain bill despite opposition.

OTTAWA—Premier Mitchell F. Hepburn, of Ontario, is seeing through his battle with what he terms the "vested interests" in his province.

Two months ago, Hepburn succeeded in getting his provincial legislature to back him up in his desire to break contracts with 4 power companies for additional power (*BIW*—Apr20'35). He claimed that previous governments had allowed contracts to be made for power which the province could not now possibly use. Power companies protested they had increased their facilities to



meet these new contracts. Bankers and brokers who had sold the bonds of these companies, and the part of the investing public which held them, protested. Hepburn was firm.

A week ago, Ontario offered \$15 millions in provincial bonds. Not a single tender was taken up. When this got out, representatives of financial houses which ordinarily handle such business went to Hepburn, agreed to take up the issue if he would talk business on the power contracts. Hepburn refused.

#### Ontario Creates More Banks

Next move came this week with the announcement that Ontario would increase the chain of provincial savings banks from 21 to as many as would be necessary to serve the public adequately—probably to 50 or more. At the same time, Hepburn struck another blow at the commercial banks by raising the interest rate in the provincial savings banks from 2% to 2½%.

Finally, a new bond issue—this time amounting to \$20 millions of 2- and 5-year bonds carrying 2½% and 3% interest—was offered. There was no opportunity for a second rebuff from the financial community. It was offered through the savings banks directly to the public. Sales were good the first few days. It is too soon to know how readily the entire issue will be absorbed, or who is going to win ultimately in the bitter struggle.

Newest conflict is expected in New York, where the bonds were advertised, contrary to SEC regulations (the issue is not registered).

Wheat is a major problem in Canada again this week. Premier Bennett is pushing his bill for complete government control of the marketing of all grains in spite of the mounting opposition in all but the Prairie Provinces. Wheat farmers are now making a profit of about 20¢ a bushel at the pegged prices maintained by the government (at the expense of the taxpayer). A special committee headed by Bennett is still studying the bill.

## Far East

### Japan runs into no opposition to expansion scheme in North China; Americans planning to move out.

Nothing has happened in North China in the week following Japan's virtual *coup d'état* to encourage American businesses already operating in that area. It is obvious now that Japan is going to move slowly in this region, but it is equally evident that Japan intends to dominate the region economically. It took more than 2 years for the Japanese to get the Manchurian territory organized. Only this year, after almost 4 years of control, are the great foreign oil companies admitting that they are being frozen out. The process in the Peiping-Tientsin area may be developed even more slowly because of the larger number of foreign interests involved, but it is likely to be just as complete ultimately. Americans are already talking about "getting out."

Protests from London and Washington are not likely to make much difference in the Japanese program. No one understands better than the Japanese officials that neither the British nor the Americans are in any mood to fight for the "open door" in North China. If, and when, the Yangtze Valley markets are at stake, their attitude may have stiffened. This is likely to depend on the support they may be able to expect from the Soviets at that time.

#### Americans Investigate in Japan

A group of American manufacturers has become alarmed at the rate at which Japan is producing cheap copies of their products and selling them in ever-expanding markets. Dissatisfied with the volume of information which they have been able to secure through government channels concerning future production plans of these Japanese manufacturers and with their ability to carry out new schemes, these Americans have recently employed an American engineering organization to send trained investigators to Japan to survey the market. At the

end of 3 months, they will report back to American headquarters. For some of the backers, there may be leads to new markets in Japan; for most of them, the information will simply supply details of the competition they are going to face from Japanese manufacturers of similar lines.

From Australia comes the report that the Electrical Federation and electric supply authorities are planning the "largest and most comprehensive exhibition" yet held in Australia of all kinds of electrical equipment. It is to be held in Melbourne between Sept. 14 and Oct. 5. Companies from a half dozen different countries have taken space.

## Latin America

### Argentine business is booming. Bolivia and Paraguay will arbitrate Chaco.

OPTIMISTIC reports came from three Latin American countries this week. It seems likely that Bolivia and Paraguay are going to be able to settle their long dispute over the Chaco by arbitration. Mexico made a complete change of government (page 24) without any unsettlement. And in the Argentine business is rapidly approaching 1929 levels.

Business in the Argentine has been improving for many months. Current reports show that crop yields this year, particularly of corn, are large and that sales for export are almost back to the 1929 level, though prices are still lower. Reflecting the improvement domestically, Argentine rail revenues were up \$7 millions last year, and machinery imports are increasing rapidly (page 11).

One industry which has shown the greatest gains is cotton textiles. In 1929, less than 10,000 bales of cotton were consumed by domestic spinners; last year, this jumped to 75,000 bales.

Production is mounting. In 1929, the Argentine raised only 188,500 bales of cotton; last year, this had jumped to 326,000 bales.



**NEW CARGO**—Where once the "desert ships," freighted with silks and spices, crossed above the Caspian from the fabulous East back into Europe again, now camel caravans haul a less exotic cargo—specifically piping and other equipment to produce new riches in the rapidly developing Soviet oil fields in the Guryevski district of Kazakhstan.

# Money and the Markets

**Tax message serves natural function as financial corrective. U. S. aid to franc braces gold currencies. Commodities firm despite drive for concessions. Packers plan bond issues. Copper trade eyes anti-trust laws.**

THE President's tax message was well timed for effect in financial circles. For a matter of weeks, aside from the quickly recovered post-NRA dip, the markets and investment quarters have not had enough trouble to keep them in good health, hence the Presidential message, with its critical and vaguely menacing tone toward individual and corporate wealth, perhaps served a natural function.

Aside from this interlude the major financial influence continued to be the pressure of money seeking lodgment. There is a tendency also toward traditional celebration of the coming adjournment of Congress. In the investment banking family there is particularly good feeling, arising out of the good volume of new business and the bright prospect for more of it.

## There's Been No Demoralization

So far the demoralization of business anticipated in some quarters upon the end of NRA has not occurred, and the new restraints put upon forward commitments come at a season of general dullness when their effects are less apparent than they would have been during a period of peak activity.

The smoothing out of the foreign financial situation has removed another worry for the time being. The gold currencies braced encouragingly this week because so much publicity had been given abroad to the rescue of the franc by the stabilization fund. French authorities were loud in praise of the helpful United States Treasury, whose assistance, of course, was the biggest threat they could introduce against the speculators who had been raiding their

currency so successfully up to a fortnight ago.

Meanwhile United States gold stocks have been pushed to a new high above the \$9-billion mark by imports. Excess bank reserves are likewise at new tops, with more surplusage to come when the Treasury pays off the \$600 millions of Consols with gold certificates on July 1. The gold receipts will go to Reserve banks for the credit of member banks that previously used the called bonds to support circulation. But the banks deposited the equivalent of their circulating notes with the Treasury long ago and so will have nothing to do with their new credits, which will probably push the excess reserves above the \$3 billion figure.

Idle reserves of such magnitude represent \$30 billions of potential bank credit expansion, a powerful easy-money factor and a breeder of inflation. Their very size indicates that the Administration has less need of the absolute control it seeks in its banking bill for the purpose of dictating a liberal credit policy.

## Currencies Firmer, But No Written Pact Is Likely

THE cause of world monetary stabilization was advanced, but prospects of a formal agreement were set back, when it became known that the United States Treasury saved the franc. Greater confidence in *de facto* stabilization removes much of the urge to have the alignment cemented by a permanent agreement. Such cooperative efforts failed to save the central European banking situation in the summer of 1931 or the English

situation that fall, but France is different because of its great gold reserves and its consequent staying power. However, it still struggles with internal economic problems that may dictate devaluation, and meanwhile its Swiss ally is showing disturbing signs of weakness in its banking system.

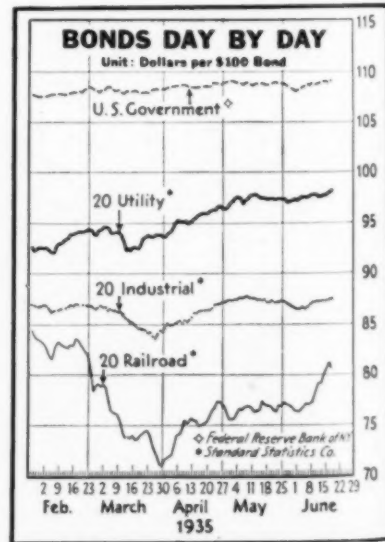
Incidentally, Canada decided to take the United States course of devaluation in lieu of the British, fixing a definite gold value for its money, just as Belgium did a few months ago. Canada will have a profit of \$64 millions from writing up its gold stocks, and this will be a stabilization fund after the manner of our \$2 billion balance.

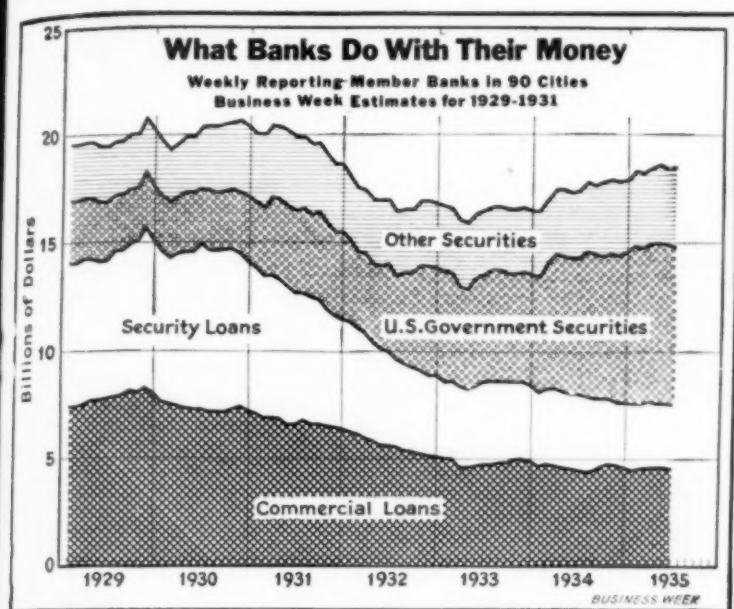
## Bankers Get a Break; Hope to Lick Eccles Bill

TIME has played into the hands of the opponents of Governor Eccles' central bank bill. A few months ago bankers were resigned to it; now they even dare hope that it will not pass. Administration sponsors of the measure had 2 big trumps when the bill started through the mill. Tied up with Title II—that section so obnoxious to bankers which would have delivered complete control of banking into the Administration's hands—were 2 things bankers needed. One of these was an amendment to the drastic and expensive deposit insurance provisions, which otherwise would go into effect July 1. The other would give bankers more time on debts to their own banks, which had been forbidden by the 1933 Banking Act, with a grace period of 2 years to pay up.

All along bankers had hoped to get the bill split up so that the desirable parts could be pushed through and the obnoxious parts held up or even killed for this session.

Circumstances are combining to accomplish that end. The deadline on bankers' loans fell June 16, but just ahead of it Congress rushed through a resolution extending the time 3 years. The deadline on the temporary arrangement under which deposits are now





several that get away from strictly refunding and mean new money for expansion and construction.

### Detroit and Federal Issues Go Over with a Bang

THE success story in financing goes to Detroit, which was on the verge of bankruptcy recently but has sold \$2.7 million serial bonds averaging 17 years in duration on a yield basis of 3.58%, the lowest figure in the city's records, to refund an equal amount carrying coupons ranging up to 5%. Last fall Detroit was paying 4% for short term money, and 2 years ago bonds of the issue being paid off sold as low as 50.

The United States Treasury's note refunding of June 15 went just a little better than any of its predecessors. Of \$417 millions 3s due that date, all but \$14 millions were exchanged for new 5-year 1½s, and only \$18 millions of the \$354 millions August 1 maturity remains outstanding for cash payment.

But exceeding even that was the success of the Federal Land Bank transaction, which offered \$239 millions of 3% bonds at 98½, bringing the yield to 3.10%. Preference over cash subscribers was offered holders of \$269 millions 4½s called for payment July 1, and so many of them accepted that there was less than \$30 millions of the offering available to investors who submitted subscriptions for \$950 millions.

### New Legal Points on Gold Are Raised in U. S. Courts

MORE angles on gold are coming into the courts. This week, for the first time, the question of the Treasury's right to take over, at the original price, gold held here by foreigners is reaching judicial channels. A Swiss corporation, owner of \$1.25 millions in gold coins stored with a banking firm in New York, is complaining that a license to export the gold to Switzerland was denied it and that the banking firm threatens to turn the coins over to the Federal Reserve Bank in compliance with Secretary Morgenthau's order calling in all domestic gold.

As the gold is now worth more than \$2 millions, the Swiss corporation wants the gold and not devalued American paper, and contends that the Treasury order represents confiscation of a foreigner's property, pointing out that the corporation maintains no office in this country, and that the gold was being held for business and for enhancement in value. The court asked that briefs be submitted.

Also this week, in San Francisco, a district court judge held that the Southern Pacific must pay in gold currency of foreign countries on bonds whose coupons afford the holder the option of payment in gold in any gold standard country. An American holder requested the railroad to make payment in Holland, paying Dutch guilders. The judge ruled the railroad would have to comply. The question is a large one, since about \$850 millions of bonds of similar type are held by Americans. The Southern

insured comes July 1, and in preparation a special resolution extending it is ready. Meanwhile Carter Glass has taken time off to garner some honorary degrees and Senator Couzens has gone to the hospital; thus the Senate committee is put further behind in the work that remains to be done before the bill can be reported out.

### Investors Keep Coming; Stocks and Bonds Climb Up

THE direct effect of the tax message in financial markets was not at all brutal, certainly not great enough to affect the fundamental character of demand, particularly since there was no indication that the President's wishes would immediately become law. Bond markets were brightened, naturally, but elsewhere circumstances were largely unaltered.

Investment money is still finding the markets attractive. The summer slackening in industrial trends and political logjams and the like have not proved the obstacles they might have been if abundant money were not anxious for a berth. Higher quotations in the stock and bond markets testify to the balance of power. Slumps that occurred immediately after the NRA decisions have been more than repaired in all major departments, even including the utility liens and shares, which for a time labored under the effect of the Senate passage of the utility bill. Less antagonistic viewpoints in the House toward utilities turned the balance the other way, and the utility issues came into high favor.

Steady climbing in industrial and second-grade railroad bonds was more or less the rule. The second-grade issues among the rails much of the time out-performed the high grades. In stocks the main emphasis was again on industrials and rails. Anything with a sound flavor is now drawing a good market. The bond list has been well picked over

for high-class issues, and investors are willing to consider the merits of representative stocks. Money is not earning very much in the regular money markets, and the casting about for other fields of return is quite pronounced.

Trade demand has been coming into commodity markets where it is thought that price levels are fair, as in rubber. Meanwhile speculative activity remains pretty well limited. Cotton is avoided, with traders waiting for word from the Cabinet committee and further light on the fate of the 12¢ loan before putting their convictions into commitments. Grains finally produced a wet weather rally, but it was marred by a recurrence of the nervousness that has characterized this market for almost two months.

### Chicago Packers to Sell \$100 millions in Bonds

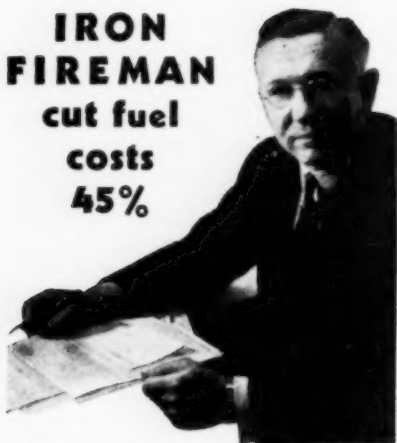
CHICAGO packers, imitating Swift & Co., which replaced \$43 millions of 5% bonds with a 3½% refunding issue in March, give the investment dealers another \$100 millions of business for the early future. Armour & Co. has registered an issue of \$48 millions with the SEC, and both Cudahy and Wilson & Co. are calling stockholders' meetings next month to authorize refundings. They each have about \$17 millions of 5%, 5½%, and 6% obligations which they hope to reduce to 4% or less, and will issue a little extra in new securities to increase working capital.

Armour decided against immediately refunding its assumed obligation of \$9 millions on Morris & Co. bonds, which carry 4½% coupons and hence offer no great savings, but Armour will probably consider refinancing the \$38 millions 4½s of 1939 some time later if the present transaction goes satisfactorily.

A glance through files of corporations upon which bankers are currently working indicates a steady stream of financing, and included among them are



## IRON FIREMAN cut fuel costs 45%



*"Hard to believe"*

... says Oscar A. Rennebohm, Treas.,  
National Assn. of Retail Druggists



After he studied Iron Fireman automatic coal heating and made comparisons, Oscar Rennebohm, prominent drug store proprietor of Madison, Wisconsin, saw that it could give him better heating for less money. But at the end of his first year when the figures came through showing that his fuel bill of \$1450.00 had been cut to \$787.50 and that he had saved \$662.50 he couldn't believe it.

"Why didn't you tell me about this before and insist that I listen?" says many a year-old customer to Iron Fireman representatives. Checking back over the past 10 years to learn how much Iron Fireman might have saved is an unhappy experience. But one should look forward to the savings which Iron Fireman can make during the next 10 years. Anyone interested is welcome to the free assistance of an experienced Iron Fireman dealer who will investigate, obtain the facts and figures, and present them in the form of a clear-cut report. New Iron Fireman burners include bin and bunker models as well as the standard hopper feed. Models for domestic heating plants and for commercial boilers up to 300 h.p. Iron Fireman Mfg. Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.



Rennebohm Building,  
Madison, Wis., where  
an Iron Fireman auto-  
matic coal burner (right)  
cut fuel costs 45%.



IRON FIREMAN MFG. CO.  
3173 W. 106th Street, Cleveland, Ohio

- Type of plant:
- |   |   |
|---|---|
| <input type="checkbox"/> Send literature    | <input type="checkbox"/> Commercial Heating                         |
| <input type="checkbox"/> Make firing survey | <input type="checkbox"/> Power <input type="checkbox"/> Residential |

Name \_\_\_\_\_

Address \_\_\_\_\_

Pacific, whose bond interest on that issue would be increased by about \$500,000 if all holders asked for gold payment abroad, will appeal the decision.

### Price Structure Holds Up Against Urge for Concessions

THE price structure in trade and industry is holding, producers so far showing enough resistance to overcome the pressure for concessions that is coming from buyers. Wholesale prices dropped another 0.1 point to 79.8 (reckoning the 1926 price-level at 100) in the week up to June 15, according to the Bureau of Labor Statistics. This is still only 0.5 point below the high for the recovery.

Of course there is a great deal of artificiality among the individual prices, which are being frozen by indecision as effectively as they were by codes. In some lines this has stalemated operations, so adjustments must come before a normal volume of forward commitments can be expected.

Meanwhile demand is accumulating, and stocks are diminishing in a manner that portends better business ultimately, which will have a sound basis of quotations set by supply and demand, enabling business to get away from the hand-to-mouth buying that has plagued it over the past several years.

If the dull summer months can be utilized for the readjustment process, it will lay a firm foundation for autumn, when influences are naturally conducive to general progress, for which there will be a special factor this year in the first fall campaign of the automobile industry. Business interests are too keenly cognizant of what this industry has done for them since last December to overlook its potentialities in considering late 1935 prospects.

### Copper Trade Cautiously Seeks Legal Stabilization

THE copper trade is in a thoughtful mood. The attempt to fill the large vacant space left by the elimination of the codes is being conducted cautiously and delicately but with evident hope on the part of the industry that the trade practices, as well as other provisions of the codes, can be retained in some way without running afoul of the anti-trust laws.

A step in the effort to keep hold of the prolonged steadiness of the domestic market was made when fabricators recently agreed to continue filling their needs at the 9¢ price into the middle of next month. Fabricators under rules that have prevailed for more than a year, can get a satisfactory profit, and they dislike the idea of change. They are supported by producers who look upon the 9¢ level as nicely fitted to the situation and a good operating point.

There is, however, a great deal of nervousness over the degree to which the industry can go in retaining the stabilized arrangement. Some hope for special legislation, and some think a program inculcating all the former code principles might be approved by Washington. In any event, however, the gen-

eral belief is that agreements to continue without change from code procedures would run the industry into legal trouble.

Meanwhile export copper prices have slipped a little and there is said to be some domestic copper for sale below the standard 9¢ price, although not much notice is taken of the latter supply.

### Petroleum Output Climbs, Making Prices Uncertain

A STEP-UP in petroleum production has cast a cloud over the oil picture. The daily average production last week, exaggerated somewhat by a non-recurring flurry in Oklahoma figures, reached the highest level since late 1933, and even though the figure was a little out of line, it called attention to the difficulties in the Far West. The California situation is wide open, strengthened thus far only by an agreement among independents, fixing a gasoline figure substantially above the lows reached in the late unsettlement.

Contrasted with California, the country east of the Rockies is unruffled. The big consumption season is on, and 1935 promises to bring another peak in consumption totals. Crude production, however, judged by last week (the latest on which figures are available to the industry), is a step ahead of even the good consumption probabilities. At the same time, gasoline stocks at the end of April represented smaller forward supplies than at any time since 1930.

California undoubtedly is the nub of the situation. Despite the degree of stability just achieved in California, no complete ease can prevail until a more effective stabilization is reached there.

### Hog and Lard Prices Dip

A DIP in hog and lard prices provided a gentle surprise in the packing trade. Although receipts of hogs at packing centers continue extremely light, packers have found fresh pork stocks piling up a little at distribution centers, and consequently buying on the hoof has become somewhat cautious.

Curiously, the weight of incoming hogs, despite the great hole made in feedstuffs by the drought, has lately been averaging higher than it did a year ago. Steady, high prices for animals evidently encouraged the farmer to find weight-producing feed somewhere. The corn-hog price ratio for some time has favored feeding, and heavy hogs have been commanding the premiums.

Chicago is trying to keep Argentine corn from being mixed with domestic corn for delivery on Board of Trade contracts as news from the Argentine government tells of an all-time record corn crop there. Flinty Argentine corn mixed with softer domestic corn might prove a difficult mess for processors to handle. However, the amounts involved probably would be small.

The grain trade has other troubles. One is AAA Administrator Davis' report that higher agricultural prices at present might not be practical.

## Editorially Speaking—

THE radio announcers' work during the Baer-Braddock fight was a plain example of news reporting without interpretation. This sort of announcing was tolerable enough during the rounds themselves, but when the gong sounded and another announcer jumped in to occupy the minute's interval, the radio audience expected him to interpret what his predecessor had merely reported. Instead, he gave nothing but a wordy, detailed repetition, so that usually he was no more than half through when the gong sounded for the next round. Thus two men simply duplicated each other's work.

People don't want to hear—or read—the same thing twice. They want the facts, and then they want the significance of the facts.

FOR the first time in the dozen years since the Fascists seized power in Italy and began their warlike talk, they are heading swiftly into war. It was inevitable that they should have to make good on their boasts sooner or later. The same is true of the Nazis.

FEDERAL COORDINATOR EASTMAN's staff has ventured into bold conflict with a proud tradition of the railroad business—the tradition of the self-made man, who rises by his clear head, quick courage, and two strong hands. The staff reports that the average traffic officer never got as far as the tenth grade—that is, the second year in high school—and that he has a year's less schooling than the average stenographer under his jurisdiction. Moreover, he is suspicious of book education and its products; the report declares that many railroads won't hire a college man in their traffic departments.

There is a good deal of value in the old tradition, as anybody who knows some of these horny-handed traffic managers and general managers ought to be able to testify. These men have proved that book learning isn't essential—for the exceptional man. But what about the average one? Mr. Eastman's experts recommend a higher standard of education; and we think they're right.

DAY-COACHES are going luxurious now. The Boston & Maine, the Central Vermont, and the Canadian National Railroads are establishing 2 new day-coach trains, the *Ambassador*, operating daily in each direction between Boston and Montreal on an 8½-hour schedule. Each train has a club-lounge car, with 38 individual lounge-chairs and 2 small divans. A part of the car is set aside for meal service. All the coaches are air-conditioned and dustless.

The usual fare is charged, and yet the

passengers enjoy more comfort than would have been possible in an extra-fare train a short time ago. The world and the railroads do move.

MANY business and professional men have their reading problems solved for them by Higher Authority—a book club, or the boss, or the wife, or the home office. The Portland Cement Association performs this function for its fieldmen, these being engineers who roam wide areas and give advice to users of concrete. The fieldmen receive technical reports, booklets, and letters of instruction. Some time ago there were complaints. "For Pete's sake, have a heart! How can we read all this stuff and cover our territories at the same time?"

Result—a checkup. The material sent out in January was assembled and read. It took 4 hours and 38 minutes. February's material took 7 hours and 11 minutes. The higher-ups decided to give the fieldmen a break. So the March reading material only required 3 hours and 59 minutes; April, 1 hour and 46 minutes; and May, about the same time.

Maybe they're reading it all now. Formerly they probably just gave the stuff a fond look and then turned to thoughts of sweeter things.

POVERTY, when combined with idleness, can make people fat and lazy, according to a leading Toronto physician and medical teacher, Dr. Walter R. Campbell. He warns us that millions of American and Canadian unemployed are being fed a relief diet which runs far too high in carbohydrates. "Excess carbohydrates," he says, "often lead to obesity when given to people without work to use up the energy supplied." Doubtless this is true, as a general principle; but as a matter of plain fact, we haven't noticed that the unemployed are starting to bulge.

THE Barrymore haircut—thick at the edges, so you have to get a trim once or twice a week—is still dominant among the sprucest and most solvent American males. But now the Prince of Wales is setting a new style, thus described by an English trade journal, *Hairdresser and Beauty Trade*: "The hair is drawn flat across the top of his head and at the sides, which are allowed to grow a little longer than usual. The hair is brushed well back. In front the hair is brushed up to resemble a slight 'quiff'."

The Oxford English Dictionary defines "quiff" as "a lock or flat curl of hair coming low on the forehead and sometimes oiled." The leading American dictionaries don't define the word at all. Over here, it seems, we haven't got around to the quiff haircut, or to the word as defined in England.



Pennsylvania Soldiers' and Sailors' Home, Erie, Pa.

## MODERN HEATING SAVES \$3,456 IN TWO YEARS

**Military Home Uses Webster Hylo Control to Reduce Coal Bills More Than 500 Tons a Year**

### HEAT DISTRIBUTION IMPROVED

Erie, Pa.—How the Pennsylvania Soldiers' and Sailors' Home saved \$3,456.22 in the first two seasons after heating modernization is revealed in the three-year operating record kept by Col. David B. Simpson, Commandant.

During the 1931-32 season, the Home used 2,365 tons of coal. A survey made by Webster engineers indicated that modernization with Webster Hylo Control would reduce this expenditure and improve heating service. Modernization was authorized and completed in the fall of 1932.

During the ensuing season, after making corrections for degree days, Col. Simpson reported the saving of 551 tons of coal, a 23.3 per cent reduction. With coal averaging \$2.90 a ton, this meant a reduction of \$1,597.90 in heating costs.

The unusually severe '33-'34 winter, regarded as an acid test for the modernized system, saw a reduction of 534 tons from the '31-'32 figure. With coal retailing at \$3.48 a ton, this 22.6 per cent reduction meant a dollars and cents saving of \$1,858.32.



Main Entrance

"In addition," Col. Simpson points out, "under the improved system we have cut our maintenance budget to negligible proportions. The elimination of freeze-up and leaking radiators means an annual saving, for plastering alone, of \$500 to \$600."

The Hylo Controls, installed in the Soldiers' and Sailors' Home, have been exceptionally effective where a number of buildings are heated from a central power plant. Steam can be circulated efficiently several thousand feet distant.

"We have constantly enjoyed real heating comfort, regardless of outside weather conditions," Col. Simpson said. "I personally feel that the money expended for this heating system modernization was the best investment we ever made."

If you are interested in (1) improved heating service and (2) lower heating cost in your building, address

WARREN WEBSTER & CO., Camden, N. J.  
Pioneers of the Vacuum System of Steam Heating  
Branches in 60 principal U. S. Cities — Estab. 1888.

JUNE 22, 1935

## Merely a Disguised Dole

After months of confusion and misguidance and the raising of false hopes, the Administration definitely reveals its work-relief program—and it turns out to be nothing else than a modified version of the old CWA, with a large degree of direct relief and a very small degree of public works.

When President Roosevelt delivered his last fireside speech to the people, on Apr. 28, he said not only that his work-relief program would give jobs to persons on the relief rolls, but that "projects which promise ultimate return to the federal Treasury of a considerable proportion of the costs will be sought." Apparently there was going to be an appreciable emphasis on public works. Therefore municipalities and states began suggesting projects, and getting ready for the purchase of materials. Subways, low-cost housing, and sewer plants were carefully worked out on paper. Washington approved "in principle." Generally it was Mr. Ickes who did the approving. But now he has been shoved into the background, while the dynamic Mr. Hopkins is up front, preparing to tap the money barrel and let its contents flow out to all sorts of useful, permanent public works—provided they can be built at an annual cost of \$1,100 per man employed.

Where can Mr. Hopkins find projects which, under this tight restriction, can produce works of permanent value, affording an "ultimate return to the federal Treasury"? All reclamation projects, for example, are out of the question; they would cost from \$2,500 to \$4,000 per man-year. Highways will be nothing but dirt roads; if surfacing is done, it will require the use of other funds. While the federal government concentrates chiefly on wages, it will be up to the states and the municipalities to buy materials.

President Roosevelt overlooks several things. In his budget message to Congress last January, he made statements which led to the inference that every piece of economic legislation must be tested by one yardstick—does it stimulate business and thus conduce to the private reemployment of the millions now on relief? Now he has abandoned that yardstick. His work-relief program does little to increase secondary employment through

the purchasing of cement and steel, the maintenance of contracting and construction organizations, and a heavier demand for machines and tools. It punctures the hopes of the durable-goods industries. It contains little that will give confidence to business to go out and go to work for itself.

In effect, it is hardly anything but a dole, except that it does require work and thus sustains the recipient's morale and eliminates the loafer. The President must be given credit for that aspect of his program. But praise must end there. The upshot of his program will be the expenditure of \$4 billions, with very little to show for it.

Mr. Hopkins talks largely of doing some heavy construction, balanced by low-cost projects. There is reason to suspect that heavy construction projects may be started on the basis of low cost-estimates that are deliberately faked, merely because their enthusiastic backers want to get them started, in the hope that the government will have to keep on financing them later. And so one result of this modified CWA may be to produce the very scandals that the President publicly declares must be avoided.

## End of a Great War On a Small Scale

The ferocious and suicidal war in the Chaco has come to an end. In South America all nations rejoiced at the peace proclamation. Children marched singing through the streets; men of affairs wept with joy. For the war had cost 100,000 lives—a staggering number, considering that Bolivia has only a population of 3 million, and Paraguay of 900,000. If the United States, with 125,000,000 inhabitants, had suffered in equal ratio, its loss in lives would have been 3,200,000.

So the war has been a very great

one for these two little countries. Paraguay, far outnumbered but having the advantage of position, succeeds in retaining the Chaco jungle, including its oil deposits and the Paraguay river, which is an outlet to the sea. Bolivia remains landlocked. The war ends with nothing gained except that mankind has another example of the horror and folly of war. And yet does any informed man believe that the largest nations have shown more sense than Bolivia and Paraguay, or are heading towards any other mode of asserting their power?

## In Saving the Franc, We Helped Ourselves

President Roosevelt and Secretary Morgenthau acted reasonably when they helped France remain on the gold standard by buying French earmarked gold during the recent crisis. France could not find other buyers because the outgoing ships were carrying as much gold as the insurance companies would insure, and private bankers refused to buy gold because they feared that the franc would be devalued overnight and that gold shipments might be embargoed. Jean Tannery, governor of the Bank of France, has now revealed that an appeal was made to the United States, which came to the rescue.

If France had been forced off the gold standard, Holland and Switzerland would have followed. The American dollar would have been the only currency based on gold. The value of the dollar would almost surely have risen, and then the United States would have been back in the same monetary predicament as in the early part of 1933, when Mr. Roosevelt declared that the dollar was too dear.

As the dollar rose, we would have devalued it further, thus provoking more devaluation of other currencies, and possibly a world-wide currency war. Right now the dollar is in a tolerably stable relation with other currencies. If a change is to be made in the value of any leading currency, it should be done in as orderly a way as possible, preferably by international agreement, in order to minimize the resulting disturbance to world trade. A panic in the currency of any nation is against American interests.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, \$10 for three years, U. S. A. and possessions. Foreign 30 shillings. Cable code, McGrawhill

Glenn Griswold,  
Vice-President and Editor

Ralph B. Smith  
Managing Editor

Paul Montgomery  
Manager

Marketing, O. Fred. Rost  
Industry, Wallace Thompson  
Foreign, J. F. Chapman

News Editor, Louis H. Engel  
Transportation, Irvin Foos  
Typography, F. A. Huxley

Economist, David Dillman  
Finance, Arthur W. Baum  
Statistics, R. I. Carlson

Washington, Paul Wooton, Carter Field



countries.  
but hav-  
on, suc-  
jungle,  
and the  
outlet to  
dlocked.  
gained  
other ex-  
of war.  
man be-  
ns have  
ivia and  
ards any  
power?

ecretary  
y when  
on the  
ch ear-  
t crisis.  
buyers  
ere car-  
surance  
private  
because  
ould be  
t gold  
d. Jean  
ank of  
an ap-  
States,

off the  
witzer-  
Amer-  
ne only  
value  
surely  
States  
e same  
e early  
osevelt  
o dear.  
d have  
voking  
encies,  
urrency  
s in a  
other  
made  
urrency,  
a way  
ntional  
ze the  
trade.  
nation

York.  
years,  
awhile  
omery  
er  
illman  
Baum  
arlson

WEEK

JUNE

19



BUSI  
INDIC

75-

70-

65-

60-

55-

50-

(